

## **Historic, Archive Document**

Do not assume content reflects current scientific knowledge, policies, or practices.



# OUTLOOK 1963

**NATIONAL**

**agricultural**



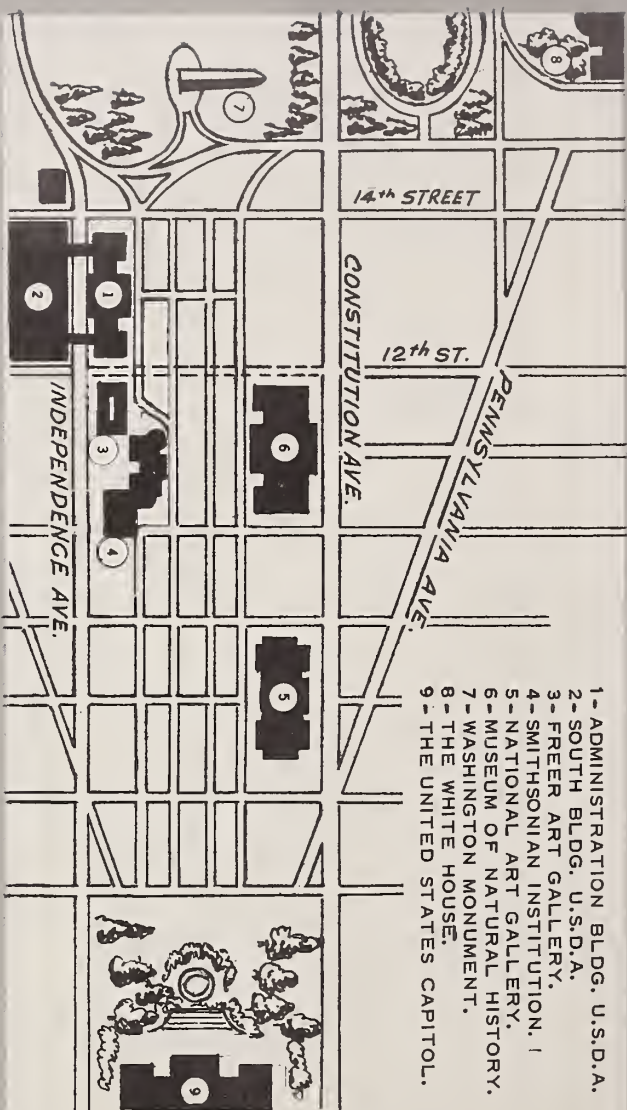
**CONFERENCE**

NOVEMBER 13-16, 1962

U. S. DEPARTMENT OF AGRICULTURE

WASHINGTON, D. C.

U. S. DEPT. OF AGRICULTURE  
NATIONAL AGRICULTURAL LIBRARY  
JAN 16 1963  
CURRENT SERIAL RECORDS



- 1- ADMINISTRATION BLDG. U.S.D.A.
- 2- SOUTH BLDG. U.S.D.A.
- 3- FREER ART GALLERY.
- 4- SMITHSONIAN INSTITUTION.
- 5- NATIONAL ART GALLERY.
- 6- MUSEUM OF NATURAL HISTORY.
- 7- WASHINGTON MONUMENT.
- 8- THE WHITE HOUSE.
- 9- THE UNITED STATES CAPITOL.



# OUTLOOK CONFERENCE

## Tuesday, November 13th

19086

9:00 REGISTRATION: USDA, South Building, 5th Wing  
Entrance, Independence Avenue

### THOMAS JEFFERSON MEMORIAL AUDITORIUM Agriculture South Building

Nathan M. Koffsky, Administrator  
Economic Research Service, USDA, Chairman

9:30 Opening of Conference

Lloyd H. Davis, Deputy Administrator  
Federal Extension Service

9:40

Outlook as a Guide to Policy  
Orville L. Freeman, Secretary of Agriculture

10:00

Agricultural Outlook for 1963  
Frederick V. Waugh, Director, Economic and  
Statistical Analysis Division, ERS, USDA

10:45

INTERMISSION

11:00

National Economic Situation and Outlook  
Rex F. Daly, Chief, Outlook and Projections Branch,  
ERS, USDA

11:30

PANEL DISCUSSION -- Nathan M. Koffsky, Moderator

Frederick V. Waugh, USDA

Rex F. Daly, USDA

Willard W. Cochrane, Director  
Agricultural Economics, USDA

Louis J. Paradiso, Asst. Director-Chief Statistician,  
Office of Business Economics, Department of Commerce

Aryness Joy Wickens, Economic Adviser,  
Department of Labor

James H. Knowles  
Congressional Joint Economic Committee

12:30 - 2:00 LUNCH PERIOD

#### THOMAS JEFFERSON MEMORIAL AUDITORIUM

Willard W. Cochran, Director,  
Agricultural Economics, USDA, Chairman

2:00 World Economic Situation and Outlook  
W. Michael Blumenthal, Deputy Asst. Secretary for  
Economic Affairs, Department of State

2:30 Outlook for Commercial Exports of Farm Products as  
Affected by the Trade Expansion Act and the Common  
Market  
Raymond A. Ioanes, Administrator, Foreign Agricultural  
Service, USDA

3:00 A Look Ahead on Food for Peace Programs  
Richard W. Reuter, Special Assistant to the President,  
Director, Food for Peace

3:30 INTERMISSION

3:45 PANEL DISCUSSION -- Sherman E. Johnson, Deputy  
Administrator for Foreign Economics, ERS, USDA,  
Moderator

W. Michael Blumenthal, Department of State

Raymond A. Ioanes, USDA

Richard W. Reuter, Food for Peace

Richard H. Roberts, Deputy Asst. Administrator for  
Export Programs, FAS, USDA

Kenneth L. Bachman, Director, Development and Trade  
Analysis Division, ERS, USDA

5:00 ADJOURNMENT

## Wednesday, November 14th

#### THOMAS JEFFERSON MEMORIAL AUDITORIUM

John A. Baker, Asst. Secretary for Rural Development  
and Conservation, USDA, Chairman

9:15 Current and Foreseeable Trends in Rural Population  
Calvin L. Beale, Farm Population Branch, ERS, USDA

9:35 Changing Occupations and Levels of Living of Rural People  
Louis J. Ducoff, Chief, Farm Population Branch,  
ERS, USDA

10:00 Implications of Population and Occupational Changes  
for Rural Development  
John H. Southern, Chief, Rural Development Branch,  
ERS, USDA

10:30 INTERMISSION

10:45 PANEL DISCUSSION -- John A. Baker, Moderator  
Calvin L. Beale, USDA  
Louis J. Ducoff, USDA  
John H. Southern, USDA  
Richard G. Ford, Federal Extension Service, USDA  
James D. Cowhig, Economic Research Service, USDA

12:00 1:30 LUNCH PERIOD

Wednesday Afternoon

COMMODITY SESSIONS

1:30 Feed, Livestock and Meat  
Thomas Jefferson Memorial Auditorium  
Buel F. Lanpher, FES, Chairman  
1:30 - Malcolm Clough, ERS -- Feed Outlook Statement  
2:50 - INTERMISSION  
3:10 - Lawrence W. Van Meir, ERS -- Livestock and Meat Outlook Statement

5:00 ADJOURNMENT

*Thursday, November 15th*

COMMODITY SESSIONS (continued)

9:15 - 10:40 Dairy  
Thomas Jefferson Memorial Auditorium  
Robert E. Jacobson, FES, Chairman  
Anthony G. Mathis, ERS -- Outlook Statement  
10:50 - 12:15 Poultry  
Thomas Jefferson Memorial Auditorium  
Homer S. Porteus, FES, Chairman  
Herman Bluestone, ERS, Outlook Statement

12:15 - 1:30 LUNCH PERIOD

Thursday Afternoon

1:30 - 2:30 Vegetables  
Room 5219, South Building  
Dana G. Dalrymple, FES, Chairman  
John F. Crum, ERS -- Outlook Statement  
1:30 - 2:30 Sugar  
Room 3220, South Building  
Herbert G. Folken, ASCS, Chairman  
1:30 - 3:40 Fats, Oils, and Peanuts  
Thomas Jefferson Memorial Auditorium  
Karl G. Shoemaker, FES, Chairman  
George W. Kromer, ERS -- Outlook Statement

2:40 - 3:40

Potatoes  
Room 5219, South Building  
Dana G. Dalrymple, FES, Chairman  
John F. Crum, ERS -- Outlook Statement

3:45 - 5:15

Cotton  
Thomas Jefferson Memorial Auditorium  
Edgemond P. Callahan, FES, Chairman  
James R. Donald, ERS -- Outlook Statement

5:15 ADJOURNMENT

10:50 12:45

Tobacco  
Room 3056, South Building  
Claude G. Turner, ASCS, Chairman  
Arthur G. Conover, ERS -- Outlook Statement

12:45 ADJOURNMENT

## Friday, November 16th

### COMMODITY SESSIONS (continued)

9:15 - 10:40

Forest Products  
Room 3220, South Building  
Paul Mohn, FES, Chairman  
Dwight Hair, Forest Service -- Outlook Statement

9:15 - 10:40

Fruits and Tree Nuts  
Room 3056, South Building  
Chester E. Swank, FES, Chairman  
Ben H. Pubols, ERS -- Outlook Statement

10:50 - 12:45

Wheat  
Thomas Jefferson Memorial Auditorium  
Glen J. Vollmar, FES, Chairman  
Robert E. Post, ERS -- Outlook Statement

**FAMILY LIVING SESSIONS**  
**Wednesday, November 14th**

Wednesday Afternoon, November 14

Freer Gallery of Art Auditorium

Outlook for Consumer Goods and Services

Faith Clark, Director, Consumer and Food Economics  
Research Division, ARS, USDA, Chairman

2:00

Consumer Protection

Robert J. Lampman, Council of Economic Advisors

3:00

INTERMISSION

Food

3:15

Supplies and Prices

Thomas J. Lanahan, Jr., Economic and Statistical  
Analysis Division, ERS, USDA

4:15

Marketing and New Products

Philip B. Dwoskin, Marketing Economics Division, ERS,  
USDA

5:15

ADJOURNMENT

**Thursday, November 15th**

OUTLOOK FOR CONSUMERS (continued)

Freer Gallery of Art Auditorium

Stella L. Mitchell, FES, USDA, Chairman

## Housing, Furnishing, and Equipment

9:15 Supplies and Prices

Laura Mae Webb, Consumer and Food Economics  
Research Division, ARS, USDA

10:00 Some Considerations in Buying Equipment

Portable Cooking Appliances  
Genevieve Tayloe, Clothing and Housing Research  
Division, ARS, USDA

Major Equipment

Jean L. Pennock, Consumer and Food Economics  
Research Division, ARS, USDA

10:30 INTERMISSION

10:45 PANEL DISCUSSION -- Financial Problems and Assistance Available to Families Buying or Remodeling

Their Homes

Esther L. Barchelder, Director, Clothing and Housing  
Research Division, ARS, USDA, Moderator

Louis D. Malotky, Director, Rural Housing Loan  
Division, FHA, USDA

Avis Woolrich, Clothing and Housing Research  
Division, ARS, USDA

Louise A. Young, Family Economist Extension  
Specialist, University of Wisconsin

12:00 - 1:30 LUNCH PERIOD

## Thursday Afternoon, November 15

Freer Gallery of Art Auditorium

WOMEN IN THE 1960's

Hazel K. Stiebeling, Deputy Administrator  
Nutrition and Consumer-Use Research, ARS, USDA, Chairman

1:30 Employment Opportunities for Women

Augusta Clawson, Women's Bureau, Department of Labor

2:30 Training and Retraining of Women

Rua Van Horn, Office of Education, HEW

3:15 INTERMISSION

3:30 Some Management Practices and Expenditures of  
Employed Wives

Emma G. Holmes, Consumer and Food Economics  
Research Division, ARS, USDA

4:00 Day Care Arrangements for Children of Employed

Mothers  
Gerrude L. Hoffman, Children's Bureau, HEW

5:00 ADJOURNMENT

## *Friday, November 16th*

Freer Gallery of Art Auditorium

OUTLOOK FOR CONSUMERS (continued)

Eunice Heywood, FES, USDA, Chairman

9:15 Trends in Retail Distribution Practices

Robert J. Bond, Office of Marketing Services,  
Department of Commerce



- 10:00 Supplies and Prices of Clothing and Textiles  
Virginia Britton, Consumer and Food Economics  
Research Division, ARS, USDA
- 10:30 INTERMISSION
- 10:45 PANEL DISCUSSION -- New Developments in Clothing  
and Textile Upkeep  
Florence H. Forziati, Clothing and Housing Research  
Division, ARS, USDA, Moderator  
Virginia Britton, USDA  
Lucile F. Mork, Consumer and Food Economics  
Research Division, ARS, USDA  
Mary L. Walsh, Clothing and Housing Research  
Division, ARS, USDA
- 11:30 ADJOURNMENT

# STATE DELEGATES

## ALABAMA:

Mr. Foy Helms  
Miss Elizabeth Bryan

## ALASKA:

Miss Agnes Sunnell  
Dr. Arthur S. Buswell

## ARKANSAS:

Mr. Clay Moore  
Mrs. Cystol C. Tenborg

## CALIFORNIA:

Mr. Olan Forker

## COLORADO:

Mr. Kenneth R. Jameson  
Mrs. Madeline E. Colby

## CONNECTICUT:

Mr. George A. Ecker  
Miss Florence Walker

## DELAWARE:

Mr. W. T. Mcallister  
Miss Coral Morris

## FLORIDA:

Dr. C. C. Moxley  
Miss Ann Thompson

## GEORGIA:

Miss Lora Laine  
Mr. Paul Bunce

## HAWAII:

Dr. Jack T. Ishida  
Miss Vera Reid

## IDAHO:

Mr. R. Wayne Robinson

## ILLINOIS:

Mr. L. H. Simerl  
Dr. Martha L. Dunlap

## INDIANA:

Dr. Paul Robbins  
Mr. Noah Hadley

## IOWA:

Mr. Francis E. Kutish

## KANSAS:

Mr. Quentin D. Banks  
Miss Margaret Koenig

## KENTUCKY:

Mr. Wilson Hourigan  
Miss Frances Stallard

## MAINE:

Mr. Frank Reed  
Mrs. Lucy F. Sheive

## MARYLAND:

Dr. Ray A. Murray  
Mrs. Evelyn S. Whitehouse

## MASSACHUSETTS:

Mr. Ellsworth W. Bell  
Miss Barbara Higgins

## MICHIGAN:

Mr. George Stachwick  
Miss A. Lucile Kerchum

## MINNESOTA:

Mrs. Edna Jordahl  
Dr. James App

## MISSISSIPPI:

Miss Dorothy Clark  
Dr. Rupert P. Johnston

## MISSOURI:

Mr. C. E. Klingner  
Mr. Glenn Grimes  
Dr. Charles Beer  
Dr. Curtis H. Braschler  
Miss Alice Mae Alexander

## MONTANA:

Mr. John Bower

## NEBRASKA:

Dr. Fred Olson  
Mrs. Clara Leopold



## NEVADA:

Mr. William Neely

## NEW HAMPSHIRE:

Miss Audrey G. Guthrie  
Mr. Wallace C. Dunham

## NEW JERSEY:

Mr. John M. Hunter  
Dr. George W. Luke  
Mr. John W. Carncross  
Mr. Frederick A. Perkins  
Mr. John W. Browning

## NEW MEXICO:

Mr. L. S. Kurtz

## NEW YORK:

Miss Mary B. Wood  
Miss Mabel Rollins  
Dr. Clifton W. Loomis  
Dr. Robert P. Story  
Dr. Bennett A. Dominick, Jr.  
Dr. Jonathan S. Tobey  
Dr. Roger G. Murphy

## NORTH CAROLINA:

Mrs. Kay Riggle  
Mr. J. G. Allgood  
Dr. Ernest Stallings

## NORTH DAKOTA:

Miss Irene Crouch  
Mr. Harry E. Anderson

## OHIO:

Mr. Gene Futrell  
Miss Mabel Spray

## OKLAHOMA:

Mrs. Evelyn Nantz  
Mr. Houston E. Ward

## OREGON:

Miss Elvera Horrell  
Miss Bernice Strawn

## PENNSYLVANIA:

Miss Helen Bell  
Mr. John Bergstrom  
Mr. Wayne Kelly  
Mr. Charles W. Porter  
Mr. K. R. Slamp

## RHODE ISLAND:

Mr. William H. Wallace

## SOUTH CAROLINA:

Dr. M. C. Rochester  
Mrs. Elizabeth Potter

## SOUTH DAKOTA:

Mr. Art Anderson

## TENNESSEE:

Mr. Eugene Gambill  
Miss LaVerne Farmer  
Miss Phyllis Ilett

## TEXAS:

Mrs. Elsie Short  
Mr. John G. McHaney

## UTAH:

Mrs. Rhea H. Gardner

## VERMONT:

Dr. Fred Webster  
Mrs. Faith Prior

## VIRGINIA:

Mr. Larry L. Denison  
Mr. Kenneth E. Loope  
Dr. William R. Luckham  
Dr. Gene McMurtry  
Mr. Albert J. Ortego, Jr.  
Miss Janet L. Cameron  
Mrs. Ocie J. O'Brien

## WASHINGTON:

Mr. Karl Hobson

## WISCONSIN:

Miss Louise Young  
Mr. Frank W. Groves

## WYOMING:

Mr. Earl Moncur  
Miss Helen Miller

## PUERTO RICO:

Mr. Roberto Lefebvre-Munoz  
Mrs. Judith F. Ramirez



A POSITIVE AGRICULTURE POLICY 98

I am pleased to once again welcome the State delegates and visitors to this annual conference concerned with where agriculture is, and where it is going. Last November I spoke about the actions this Administration was taking to reverse the unfavorable outlook for agriculture as it appeared in the fall of 1960. Because of these actions, farm income improved substantially and the trend toward heavy stock accumulation became a trend in the other direction.

We now know that net income from farming averaged \$373 higher per farm in 1961 as compared to 1960. Total net farm income increased \$1.1 billion in 1961 over 1960, and net incomes were higher on 27 of the 39 important types of commercial farms.

As we meet today, it also is clear that our farm production is in better balance with our markets and needs than for many years. We intend to continue our progress through adjustments in production towards attaining that balance -- and to maintain it.

I use the word "adjustments" advisedly. Adjustments in production mean changes up as well as down. Too often supply management has been interpreted as a single dimension approach to agriculture....it has been

---

Remarks prepared for delivery by Secretary of Agriculture Orville L. Freeman to the 40th Annual National Agricultural Outlook Conference, Jefferson Auditorium, U. S. Department of Agriculture, Washington, D.C., 9:30 a.m. (EST) Tuesday, Nov. 13, 1962.

discussed as meaning only cutbacks and restrictions on production. Supply Management has many facets...it is a positive policy for agriculture.

It can be used to expand production to meet increased needs as well as to reduce production to avoid surpluses. It not only can be so used... it has been used for this purpose.

Let me illustrate with soybeans. Last year, my first as Secretary, I found that a short supply situation had developed in soybeans. Stocks were being reduced. At the beginning of the 1961 crop year, only some 6 million bushels were in storage, roughly 1 percent of the nation's annual requirements. There was considerable speculation which pushed market prices to as high as \$3.50 a bushel, considerably above the support price of \$1.85 a bushel for the 1960 crop. Little of this inflated price ever reached the farmer. And we were losing foreign markets and dollar sales at a time when a higher level of exports would have helped reduce our balance of payments deficit.

At the time this short supply situation was developing in soybeans, we were adding about 350 million bushels of feed grains to an already heavy surplus. This grain was being produced on land that could be used for soybeans.

In February 1961, the Secretary of Agriculture took action to increase the support price on soybeans for the 1961 crop to \$2.30 a bushel. The purpose was two-fold...to increase farm income...and to divert land from production of feed grains to soybeans.

(more)

This action was bitterly criticized. I was charged with creating a surplus where none existed...and with choking off exports because of higher prices.

But what are the results? Look at the record.

Farmers received higher prices for a substantial increase in production. Farm income from the 1961 soybean crop was \$400 million higher than in 1960, and farmers are getting almost that much from the 1962 crop.

Exports of soybeans, soybean oil and soybean meal rose to record levels.

Domestic use of soybeans also reached a new high.

Carryover reserve stocks of soybeans into the 1962 crop year were brought up to about one month's supply, or between 55 and 60 million bushels. We expect stocks at the end of the current season to be at about the same level. This means that the entire 1962 crop will go to market.

The soybean programs in 1961 and 1962 increased production of a commodity in short supply; provided a more adequate reserve of a vital product; increased income to farmers; expanded foreign markets to earn more trade dollars; and contributed to a reduction of surpluses of feed grains.

This is supply management in the positive sense.

Another aspect of supply management was brought sharply into focus by the tense international situation of the past few weeks. This has not received the recognition it deserves.

(more)



Our supply management program must be geared to maintain reserves of food and fiber adequate for any emergency. To do less in these times is to put our national existence in jeopardy.

Such a policy requires us to think in terms as broad as the Cold War or even nuclear attack. This is a far different matter than a policy limited to maintaining stocks for normal commercial and concessional needs only.

Crises breed abnormal demands and abnormal requirements.

What kind of reserve policy should supply management include?

First, there are the needs of defense. We must maintain stocks of vital food and other farm products sufficient to enable us not only to survive attack but to survive until the productive capacity of agriculture is restored. Food stocks must be properly deployed. Further, feed-deficit states should have reserves of feed grains large enough to enable them to carry most dairy cattle and breeding stock to the next pasture season, and to carry meat animals and poultry long enough so that they could be used in an orderly manner.

Second, our reserve policy should enable us to meet the needs that would arise from a Korean type situation. Experience has shown that in such a situation demands for certain commodities would rise sharply, both here and abroad. Following the Korean outbreak, prices of cotton and oil-seeds rose 40 to 50 percent. It is a matter of prudence to hold reserves which will meet legitimate needs and at the same time enhance the prospects for price stabilization.

(more)

Third, we need reserves to protect us from the reduction in production that could result from a run of bad weather. In the event of such a development, reserves could permit us to maintain commercial trade and meet our commitments for domestic and foreign food distribution programs.

Fourth, food is an instrument of American compassion and humanitarianism... of American foreign policy as it seeks to help developing nations create free institutions which are basic to the growth of strong and prosperous free societies. This is an increasingly important part of the task for American agriculture. Thus, included on the scale of balanced reserve is an adequate supply of food and fiber to support a dynamic and meaningful Food for Peace program.

Certainly, these considerations prompt a different view of adequate or desirable stock levels than would be the case if only normal commercial requirements were to be provided for.

In the case of wheat we might well have as a continuing goal a carryover position which would exceed 600 million bushels. Of course, the carryover at the beginning of this season was more than twice that level.

For feed grains, a reserve level of over 45 million tons would be well justified. As of the beginning of this season, the carryover was 71 million tons but this will likely be reduced to 57 million by the end of the season.

(more)

USDA 3950-62

For cotton, a carryover of somewhat over 6 million bales seems desirable. The actual carryover was 7.8 million bales at the beginning of the current season but is expected to go up to 9.0 million by the beginning of next season.

On the other hand, stock levels for some other commodities -- such as soybeans and dry edible beans -- are perhaps too low to provide for the kinds of emergency conditions we might face.

The point is that the supply management concept is broad enough to embrace the needs for maintaining such reserves. In some instances supplies, such as grains, are still much greater than we need for reserves. But our supply management program is reducing these stocks and the time of balance is approaching.

Only a few weeks ago, when this nation moved to meet the challenge to its security, our abundance of food and fibers sufficient to meet foreseeable needs was one of our greatest sources of strength. Food stocks today are 50 percent higher than they were when the Korean conflict began. Our efficient agriculture can meet any demands put on it. This is in sharp contrast to the agriculture of almost every Communist nation today. We do not intend to jeopardize this tremendous advantage.

(more)

USDA 3950-62



To the extent that we carry stocks and encourage production to fulfill the broader responsibilities of agriculture in its modern role, the costs which result are most emphatically not a subsidy or even a proper charge to the American farmer. They are a proper and necessary investment made for the well being and security of the whole nation, and logically should be carried as part of the cost of national security -- and so labeled in the budgeting process.

But whatever accounting procedure is followed, the American people in all fairness ought to understand that agriculture costs are expenditures in their long-term interests both at home and abroad. It is our responsibility to make this fact clearly evident.

I believe we have made some progress towards this end, and as we progress towards an improved balance between supply and demand..towards our twin goals of strengthening farm income and reducing government costs... this understanding of agriculture's different roles will increase.

There is one further aspect of the agricultural outlook that I want to touch on before closing. This year has seen the launching of an unprecedented effort in agriculture to develop alternative sources of income in rural America...sources in addition to the historic commodity income. In this way we believe we can increase the standard of living throughout the rural community.

This is the first new thrust in American farm policy since the 1930's. It combines a host of new tools for creating new economic opportunity in

(more)

rural areas which the Congress enacted this year with a reorganization and reorientation of the agencies within the Department which are most concerned with the resources and the residents of rural America...it combines all these things into a program for Rural Areas Development.

This has been one of the major efforts of the Department over the past two years, building first a vigorous rural development organization in the rural counties throughout the country, then reorganizing key agencies in the Department under one Assistant Secretary... and then working to obtain new legislative authority to carry out this effort to revitalize rural communities.

New legislation has given us effective tools for developing this program. The Area Redevelopment Administration, created in 1961 by the Congress, enables the Department to help rural communities obtain loans and grants to develop new industry, build community facilities and carry out training programs to teach new skills.

The Congress this year, for the first time, recognized recreation as a national objective for the Department's programs...recognizing, in effect, that rural resources should be encouraged to produce those things which are the most scarce in modern society. We no longer need to worry about our ability to grow food, but we should be concerned that recreational opportunities which an urban society demands are growing increasingly scarce.

The Congress enacted a true multiple-purpose concept in the use of private lands in the authority it gave the Department to enter into

(more)

cost-sharing agreements with individual farmers to develop wildlife and recreational resources as well as soil, water and forest.

The Congress authorized us to provide loans of up to 30 years to help finance rural renewal projects which will be similar in scope and purpose in rural areas to the urban renewal program which now is revitalizing the decaying center cities throughout the country.

It also authorized us to include recreational development and the future industrial and community water needs as goals in cost-sharing on watershed development.

There are many other new instruments which are available for the people of rural America to use in building a more promising future..more than I can cover in my time here today.

My purpose in giving you this brief description is to emphasize that the outlook for rural America from this time on will depend on other factors than what is happening or will happen in commodities.

We are serious about this new program...we intend to see that it works for we believe that the answer to rural poverty is not to move it to cities or urban areas, but to bring new resources and new opportunity to the rural community.

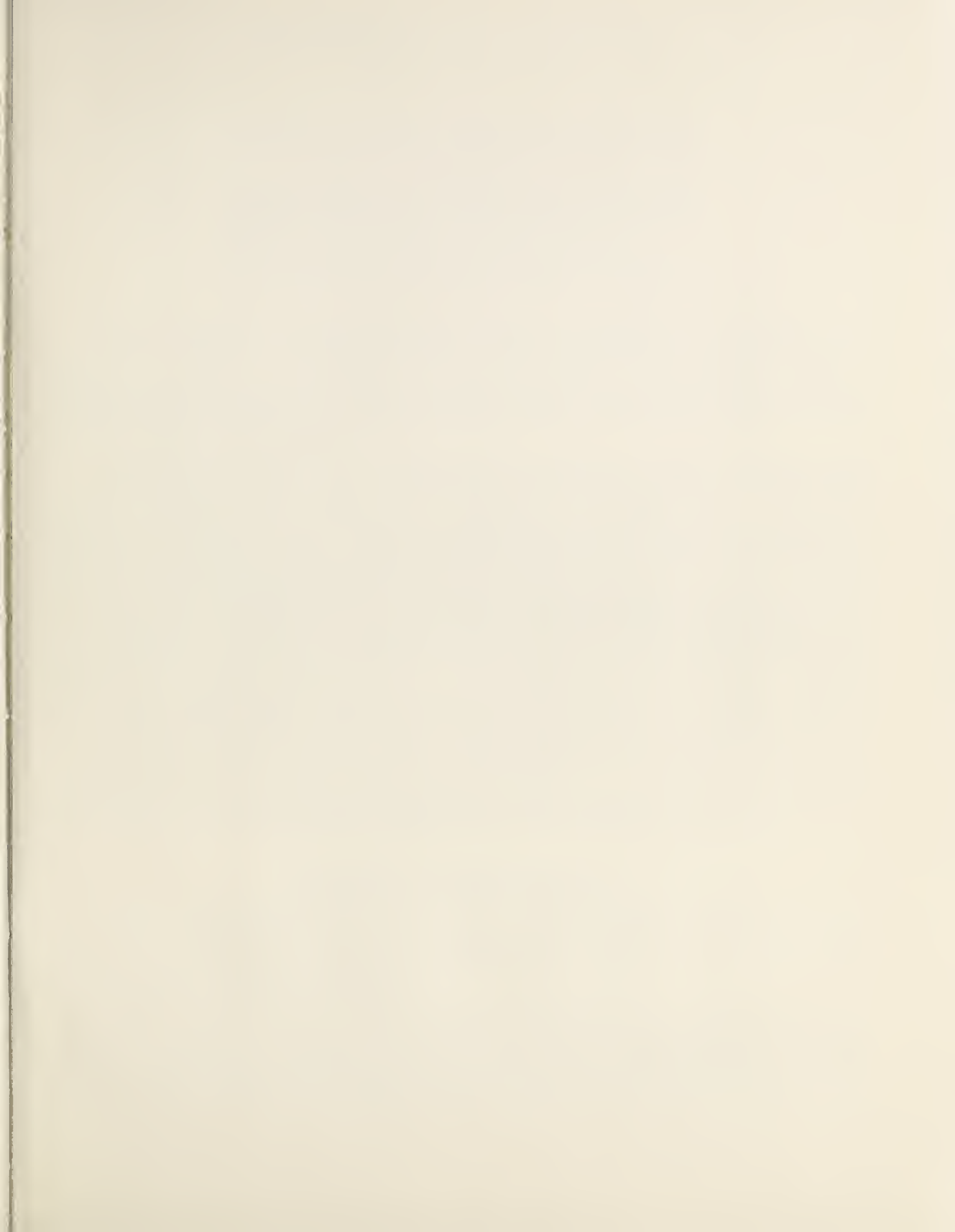
Too many proposals calling for economic development are in reality proposals for economic destruction of the rural community.

The Department rejects these proposals...we seek an improved outlook for rural America...and we believe we will succeed.

- - - - -

USDA 3950-62









THE AGRICULTURAL OUTLOOK FOR 1963  
and for the next 5 years

by

Frederick V. Waugh, Economic Research Service

assisted by

Violet D. Grubbs, Agricultural Marketing Service

Clarence M. Purves, Foreign Agricultural Service

Hugh L. Stewart, Economic Research Service

Robert L. Tontz, Economic Research Service

Laura Mae Webb, Agricultural Research Service

In preparing the following statement, we have assumed that there would be no substantial change in international tensions. But events of recent weeks remind us that we are living in uneasy and uncertain times. It is only prudent, therefore, to consider what might happen to the agricultural outlook if international tensions should worsen during the coming year.

One immediate effect of a worsening of international tensions probably would be to strengthen prices of many farm products. Some farmers and also speculative holders of farm products would get a temporary benefit from such an increase in prices. It would be well to keep in mind that our stocks of most commodities are greater now than they were at the onset of the Korean conflict. Even so, farm incomes could well go up for some period. But inevitably such a situation would raise the costs of things farmers buy and also the costs of processing, transporting, and marketing farm products. It is well to remember the events following the Korean conflict that began in June, 1950. During the first 8 months after mid-1950, prices of farm products rose 26 percent. They stayed high for the next year and one-half. Then they dropped from 1951 through 1956, when they were lower than they had been before Korea. On the other hand, the Korean war led to a cost-price squeeze that plagued agriculture throughout the 1950's and has not yet disappeared. A new worsening of international tensions at this time could lead to an increase in prices of farm products and in farm income, but would inevitably intensify the cost-price squeeze in the future.

Summary of the Outlook for 1963

When we met last fall, our forecast of farm income was: "We expect that the income gains registered for 1961 will be maintained in 1962 with little overall change in the realized net income of farm operators, total volume of farm marketings, or average prices received by farmers."

This turned out to be a very accurate forecast. The volume of farm marketings in 1962 is running about the same as that of a year earlier, while prices should average about 1 percent higher. Realized gross farm income in 1962 is likely to be between 1 and 2 percent higher than in 1961. (Figure 1.) About one-half the increase in gross

incomes is from Government payments. But the continued rise of farm production expenses is just about offsetting the increase in gross income. Our present estimate is that the realized net income of farm operators in 1962 will be about the same as the 12.8 billion dollars received in 1961.

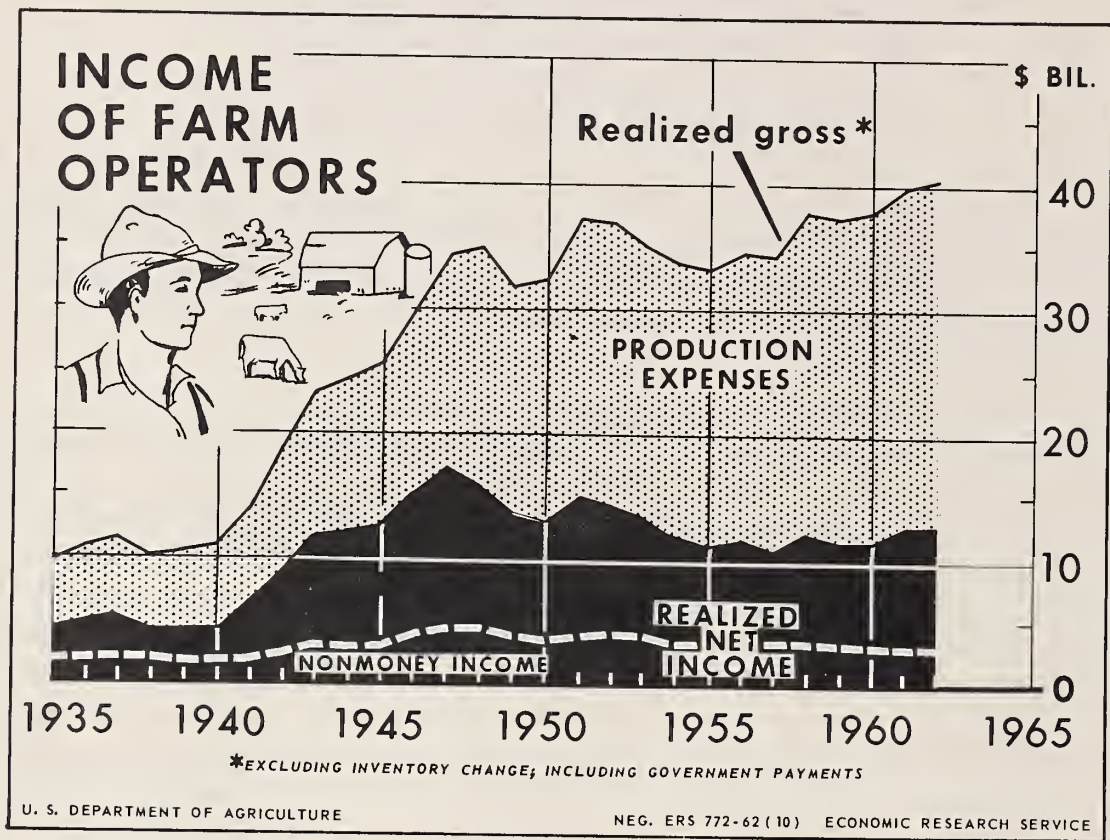


Figure 1

The outlook for farm income in 1963 looks like more of the same. We see no reason to expect any significant change -- either up or down -- in realized net income of farm operators next year. Barring any major change in the international situation, we expect 1963 to be another year of relative stability in farm output, in the domestic and foreign demand for farm products, in farm prices, and in aggregate net realized farm income.

We now anticipate some further increase in gross farm income next year. Cash receipts from farm marketings may be about the same as in 1962, with somewhat larger quantities sold (especially of livestock products) and with somewhat lower average prices. Government payments under the feed grain and wheat programs will be higher in 1963. However, we also anticipate some further increase in production expenses which could just about offset the prospective small gain in gross income as it did this year.



The numbers of farms and of farm people are continuing to decline. This, together with the increase in farm income, resulted in both realized net income per farm and per capita personal income of the farm population reaching new highs in 1961. The per capita personal income of the farm population from all sources was \$1,373 in 1961. (Figure 2.) This was 58.6 percent of the per capita income of the nonfarm population in that year. Further increases in average income per farm and per capita are occurring in 1962. And some further increase is likely in 1963.

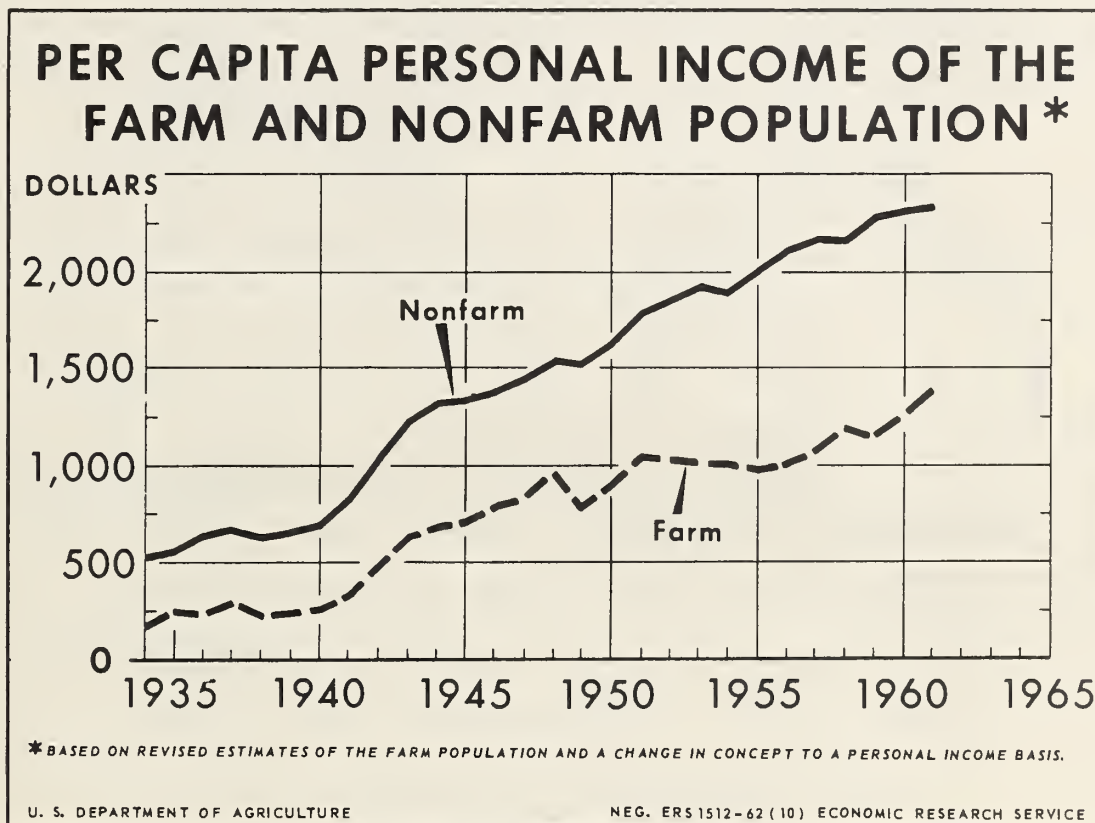


Figure 2

The domestic market for farm products should expand by about 1-1/2 percent in 1963, mainly as a result of population growth. Export markets for farm products next year are not expected to differ greatly from the high level of 5.1 billion dollars attained in 1961-62. Our exports of certain commodities (e.g. flour and poultry), to Europe may be affected by policies under the Common Market.

Carryover stocks of several farm commodities changed substantially during the past year, and further changes are expected by the end of the current crop year. (Figure 3.) The carryover of wheat at the end of the current crop year is likely to be 15 percent below that of 2 years earlier. The carryover of corn is expected to be

down 38 percent. On the other hand, the carryover of cotton is expected to be 26 percent greater than 2 years earlier, and the carryover of dairy products 143 percent greater.

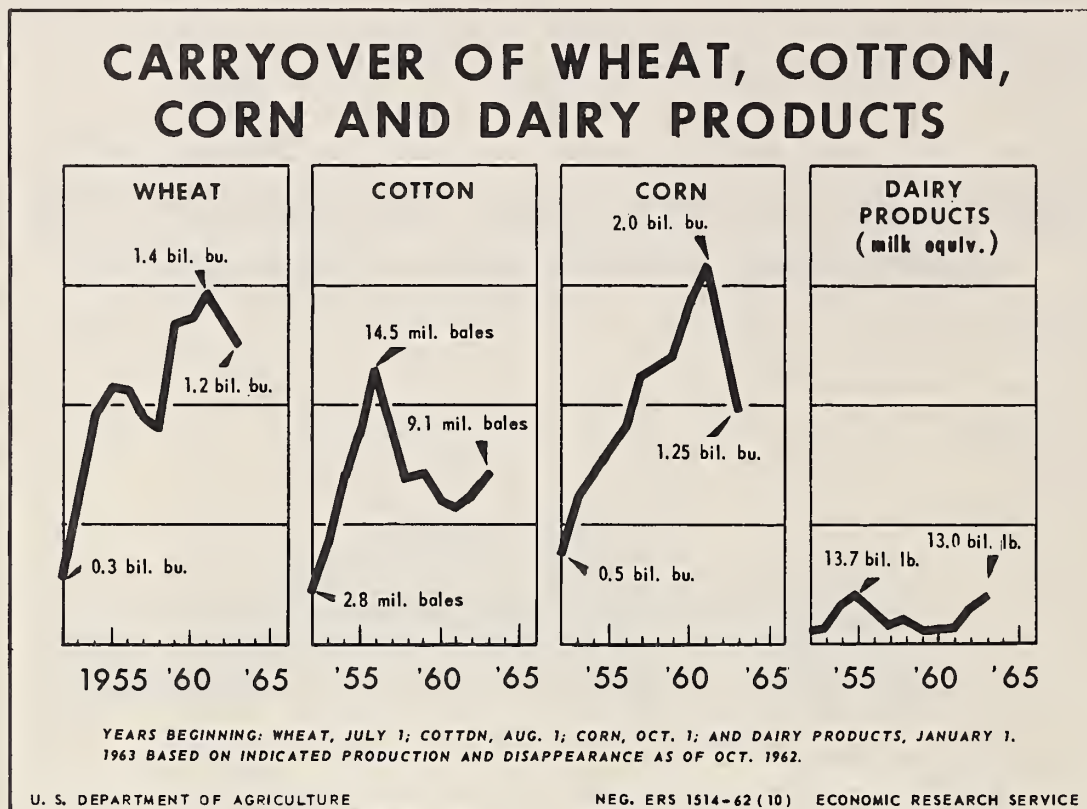


Figure 3

#### Outlook for the Next 5 Years

We have recently undertaken a regular, systematic program of long-term agricultural projections. Under this program we hope to indicate each year what we think will be the major trends during the coming 5 years. To do this, of course, we need to make a number of assumptions. For present purposes, we are assuming the continuation of the feed grain program now in effect, and also the new wheat programs authorized by the recent session of the Congress. We are also assuming that there will be no major war during the next 5 years, that population will grow at a rate a little more than 1-1/2 percent a year, that there will be further gains in productivity of farmers and others, that we will continue to have a strong foreign aid program, and that there will be no major economic recession here or abroad.

A continuation of the liquidation of stocks of feed grains of about the magnitude of the past year would result in stocks approaching a desirable level within the next

2 years, bringing supplies about in line with needs. Under authorized programs, wheat stocks also would be gradually brought more nearly in line with normal levels within the coming 5 years. On the other hand, present programs are not adequate to handle serious and growing problems confronting cotton and dairy products. The present program of supporting cotton prices at about 8-1/2 cents a pound above world levels confronts the domestic cotton industry with increased competition, both from synthetic fibers and from imported cotton goods. The present dairy program is now resulting in a serious accumulation of unwanted stocks. Further accumulations are inevitable unless we find workable means of reducing output or expanding domestic and foreign consumption of dairy products. The Department of Agriculture is now making an intensive study of alternative programs for cotton and dairy products.

If we can get rid of excessive stocks and again bring production more nearly in balance with demand at reasonable prices, it should be possible to get more stability in agriculture, with rising per capita incomes for farmers. This process would be helped by a continued expansion of the domestic and foreign market, by further declines in the numbers of farms and of farm people, and by further gains in the efficiency of farm production.

The longer-term outlook for U. S. agricultural exports is encouraging. During the post-war years, world trade in agricultural products has increased faster than world population or than world agricultural production, despite the ambitious agricultural expansion programs in most underdeveloped countries and the general worldwide trend toward self-sufficiency in food supplies. The U. S. share of this expansion in world trade has increased, particularly since 1954-55, with the increased purchasing power of economically advanced countries, and with the introduction of the P. L. 480 program to sell agricultural products in exchange for local currencies. World trade in agricultural products should continue to expand in the coming 5 years. Assuming a continued strong demand in advanced countries and an active program under P. L. 480, the United States is expected to maintain its share of the expanded trade.

(End of Summary)

---

#### Farm Financial Situation

The financial situation of farmers, except in a few areas affected by adverse weather, is as good as, or slightly better than, it was a year ago. The improvement in the financial condition made in the past two years of higher income is likely to carry over into 1963. The value of assets shown in the Balance Sheet of Agriculture at the beginning of the next year again will show an increase, about 3 percent, to an estimated total of 214 billion dollars. (Figure 4.)



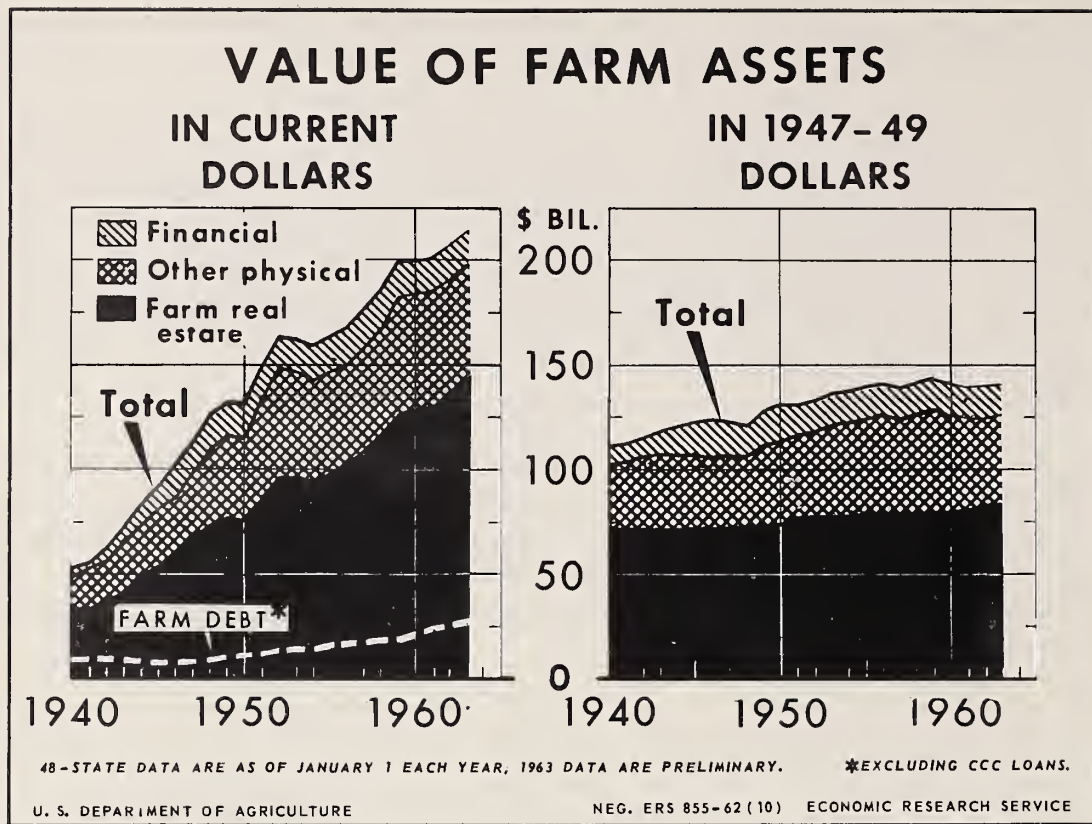


Figure 4

The value of farm real estate, which accounts for about two-thirds of the total assets shown in the Balance Sheet of Agriculture, was at a record level as of mid-1962 in most States. Average values for the 48 States were 5 percent above a year earlier and 86 percent above the 1947-49 average. The general upward movement of land values is expected to continue into 1963.

Farm debts continued to increase in 1962, also. Including CCC loans, they are expected to total more than 29 billion dollars by the beginning of 1963, up about 6 percent from a year ago. Nevertheless, the equities of farmers and other owners of farm property have risen, and by the end of this year probably will be up about 5 billion from the beginning of 1962. Farmers' credit needs probably will increase again in 1963, and farm debt will continue to rise. Lenders generally report ample funds to meet any anticipated increase in credit needs.

### Farm Costs

The upward trend in farm production expenditures continued in 1962. They reached 27.7 billion dollars in 1962. The increase in production expenses offset a comparable increase in gross income, thereby leaving realized net income of farm

operators virtually unchanged. Production expenses now average over 68 percent of total gross farm income.

Farm wage rates and prices of farm machinery and feed increased slightly in 1962, but prices paid for fertilizer, building supplies, and pesticides changed relatively little. (Figure 5.) Increases in production expenses resulted both from greater use of purchased inputs and from increases in prices paid. Some 66 percent of all farm production inputs were purchased. Costs of nonfarm inputs probably will continue to rise in 1963, but mostly as a result of increased volume rather than price increases. Farm wage rates and prices of farm machinery have been increasing for several years, and are likely to increase slightly in 1963.

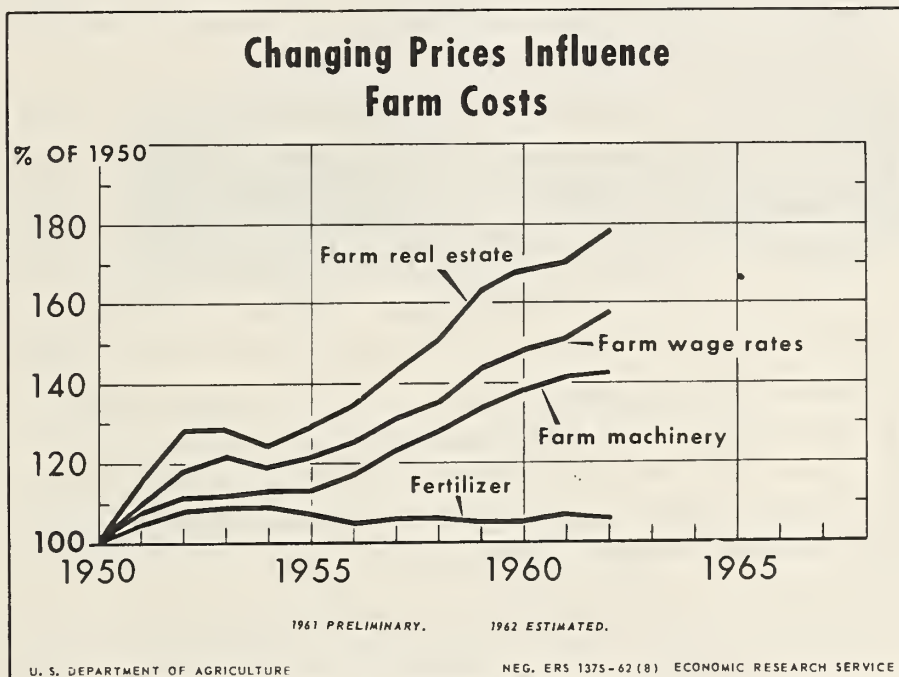


Figure 5

### Domestic Demand and Governmental Food Programs

Domestic demand for food has been fairly strong since the end of World War II, in spite of some periods of moderate unemployment. It will continue strong in 1963.

Governmental food programs have been increased. Nearly 34 million people in this country are now benefiting from such programs as school lunches, special milk, direct donations of surplus foods, and a pilot food stamp program. Direct donations of surplus foods to needy families increased sharply in 1962. A total of 1.4 billion pounds was so donated last year, up 60 percent from the fiscal year 1961. The pilot food stamp program is being expanded substantially, but it is still on a trial basis.

### Agricultural Export Prospects

U. S. agricultural exports in the fiscal year ending June 30, 1963 are not expected to differ greatly from last year's record of 5.1 billion dollars. Volume will remain firm, nearly equaling the previous year's record.

Among the major developments that will likely contribute to another year of high level agricultural exports are the continued economic growth in the more industrialized countries and the record holdings of gold and dollars in many of the principal importing countries. In addition, the United States will be continuing its aggressive market promotion program to benefit from increased consumer purchasing power in the leading dollar markets. For the countries lacking sufficient dollars, exports will be made available under U. S. Government-financed export programs. Export assistance, principally through export payments, also will enable certain U. S. products to be competitive pricewise in world markets.

The recent implementation of the Common Agricultural Policy (CAP) of the European Economic Community may begin to have some adverse effects on U. S. exports during 1962-63, particularly for wheat flour and poultry. Of particular importance in the CAP is the system of variable import levies put into effect on July 30. The variable levies are designed to offset the difference between world prices of commodities and desired prices in the Common Market. More than one-fifth of U. S. agricultural exports went to the Common Market countries in fiscal year 1961-62.

Dollar sales and Government program shipments include exports of some commodities with Government assistance, principally in the form of export payments in cash or in kind. For fiscal year 1961-62 an estimated 2.0 billion dollars of the 5.1 billion dollars U. S. total moved in this way, nearly equally divided between dollar sales and Government-financed programs. (Figure 6.)

Increased exports are expected for dairy products, cotton, some canned fruits, vegetables, rice, and oilseeds. Lower exports are likely for poultry meat, wheat, and feed grains, partly on account of larger foreign supplies of grains, and partly on account of the EEC import regulations.

### Family Living

Somewhat higher per capita disposable personal income during the past 12 months has provided U. S. families increased purchasing power, in spite of small increases in retail prices. It is expected that further increases in per capita income, coupled with only slight advances in retail prices, occasioned for the most part by increased costs for consumer services, will contribute to continuing improvement in levels of living in the coming year.

Recent legislation authorizing Federal-State programs to train unemployed and underemployed workers in skills required by shifting employment needs is expected to be of considerable assistance to persons in the farm population seeking off-farm



job opportunities. Only about 30 percent of the rural farm population 25 years of age and over in 1960 had completed 12 years or more schooling, compared with 44 percent of the urban population in this age group. Special training is needed to fit the worker without a high school education for job opportunities of the future.

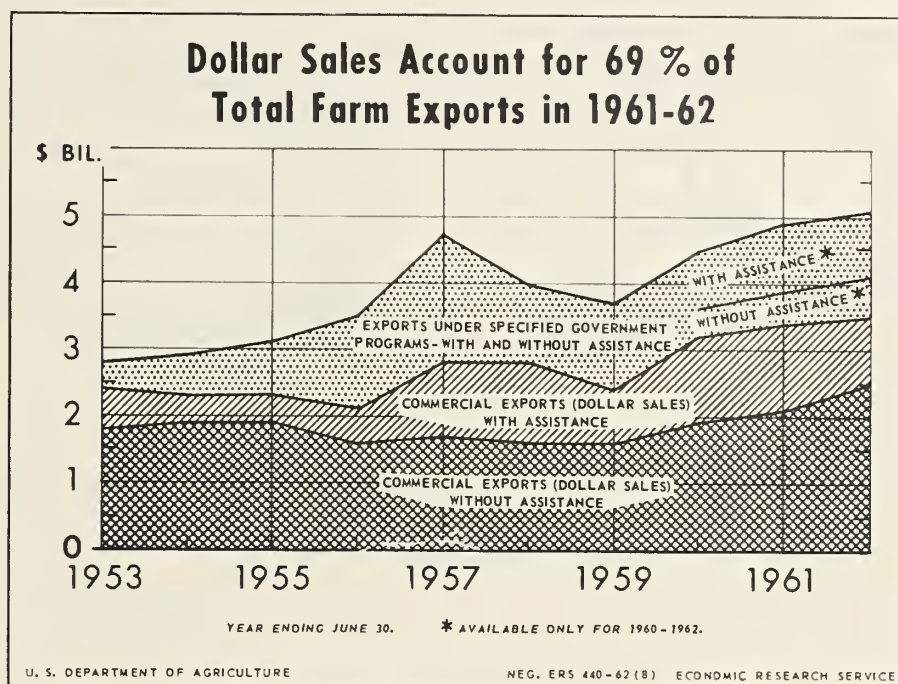


Figure 6

Substantial progress has been made in urban areas during the past two years in constructing housing especially designed to meet the needs of senior citizens, but little such construction has as yet been initiated in rural areas. Legislation passed by the recent Congress authorizing the establishment of programs under USDA's Farmers Home Administration to assist in providing suitable housing for senior citizens in rural farm and rural nonfarm areas is expected to make an important contribution toward meeting the housing needs of our senior citizens residing outside urban areas.

### Trends in Food Consumption

Before projecting the trends that (on the basis of present conditions) are likely to occur in agriculture during the next 5 years, we take note of dramatic changes in the average diet that have occurred over the past decade. (Figure 7.) Consumption of poultry has increased substantially. During the past twelve years, the average person increased his consumption of chicken and turkey combined almost 50 percent. The use of red meat, especially of beef, also increased during the 1950-62 period.

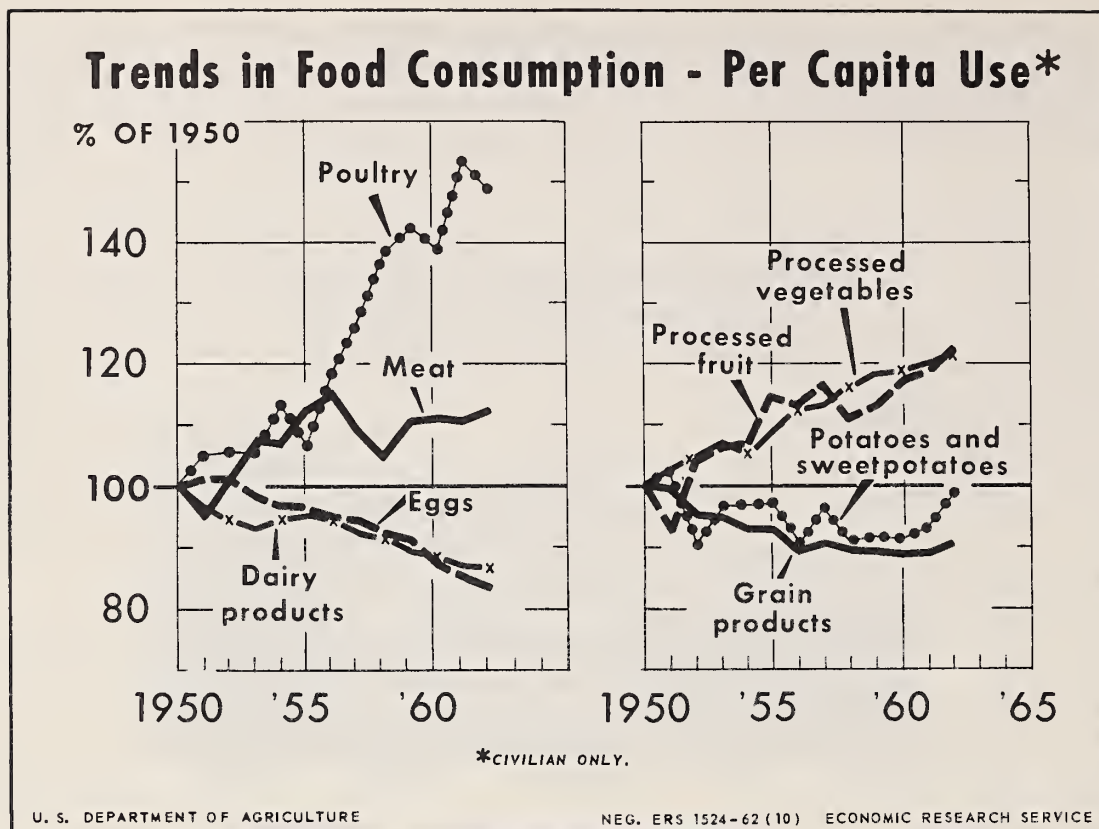


Figure 7

In the same period, there has been a drop in the per capita use of dairy products and eggs. The decline in the use of dairy products began almost two decades ago. Egg consumption increased in the early part of the 1950's, but the trend has been downward since. Per capita consumption of dairy products declined about 14 percent from 1950 to 1962, and per capita consumption of eggs decreased by more than 16 percent during this period.

The long-term downtrend in the use of cereal grains, mainly wheat, continued during the past 12 years. But the downtrend in the use of potatoes was reversed, at least temporarily, during the past few years as consumers increased their consumption of prepared potato products.

Per capita use of processed fruits and vegetables has increased during the past decade as frozen and other prepared and pre-cooked forms have been put on the market. But these increases have been offset by decreases in the use of fresh fruits and vegetables.

These diverse trends add up to a slight increase in the per capita consumption of all foods together as measured by a price-weighted index.



### Some Implications of 5-Year Projections

Even with continued restrictions on production, as under current and authorized programs, farm output would continue to increase by some 6 to 7 percent from 1962 to 1967, an average of 1.3 percent annually. (Figure 8.) This increase is expected to occur even though considerable cropland will be held out of production by acreage controls, the Conservation Reserve, and other diversion programs. Between 1950 and 1960 farm output increased by about 23 percent. This increase took place even though the use of labor on farms declined by about 35 percent and 6 percent less cropland was used. After holding steady at reduced levels from 1957 to 1960, cropland used dropped by another 7 percent from 1960 to 1962 as additional grain land was held out of production. The increase in total farm output during the coming 5 years may well be less than the increase in population. At the end of the 5 years, total output and total use could be more nearly in balance. But excess output of some individual commodities, such as dairy products and cotton, would be expected unless new programs were put into effect.

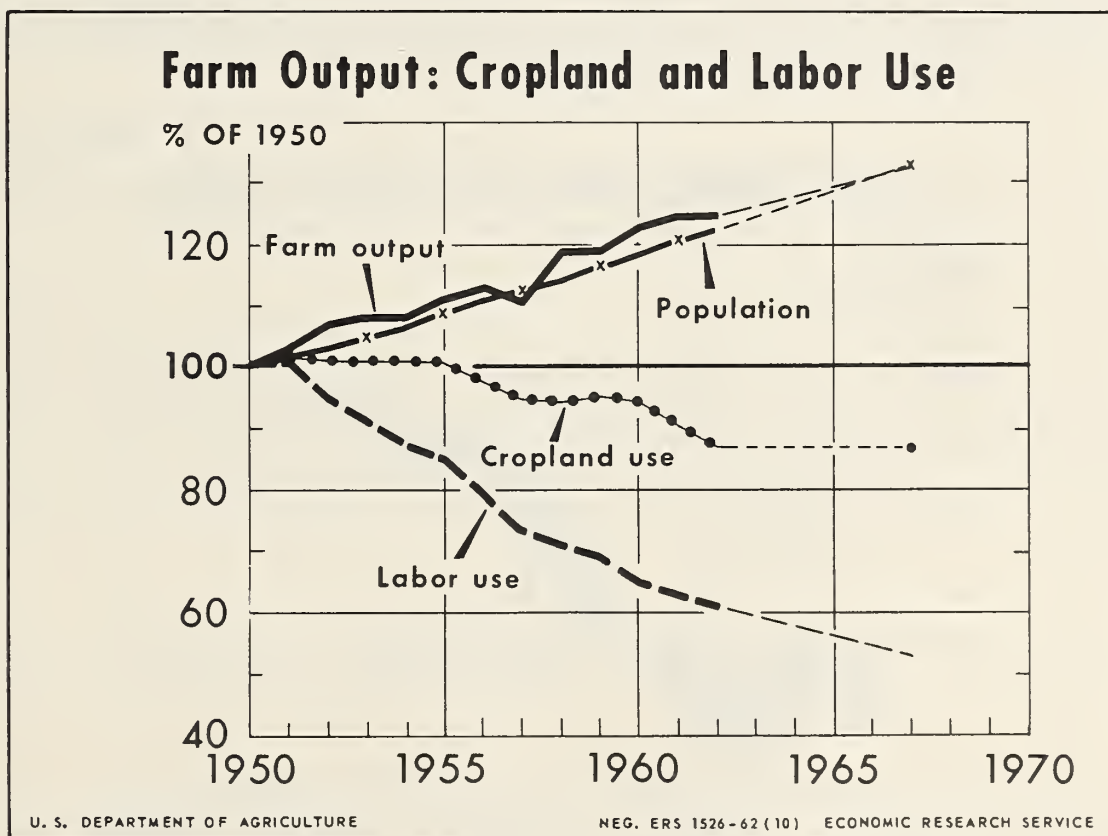


Figure 8

If new programs are adopted which bring supplies into balance with demand within the next 5 years, and if they are kept in balance, the farmer would benefit in 5 ways: (1) as stocks were reduced, production could again move up; (2) with lower stocks, prices would be generally firmer; (3) both of these factors would cause gross farm income to rise; (4) net farm income would rise, too, unless a new cost-price squeeze should develop, bringing about a substantial increase in the farmer's costs of production and marketing; (5) net income per farm and per capita would rise further, as numbers of farms, and of farm people, continue to drop.

During most of the 1950 decade, total crops available for use in the U. S. exceeded the actual use -- domestic use plus exports. This "gap", representing the annual stock build-up, is shown graphically in Figure 9. After the Korean War, the only time during the fifties that the gap was closed was in 1957 -- a poor crop year. Total use of crops was above production plus imports in both 1961 and 1962. This resulted in a reduction in large stocks of grain. Further liquidation is expected if present farm programs are continued. Projections indicate a gradual reduction of feed grain stocks nearer to normal levels before the end of the period. Only toward the end of the next five years are prospective production and imports expected to exceed domestic use and exports. At that point the continued build-up in cotton stocks may over-balance the projected decline in wheat stocks.

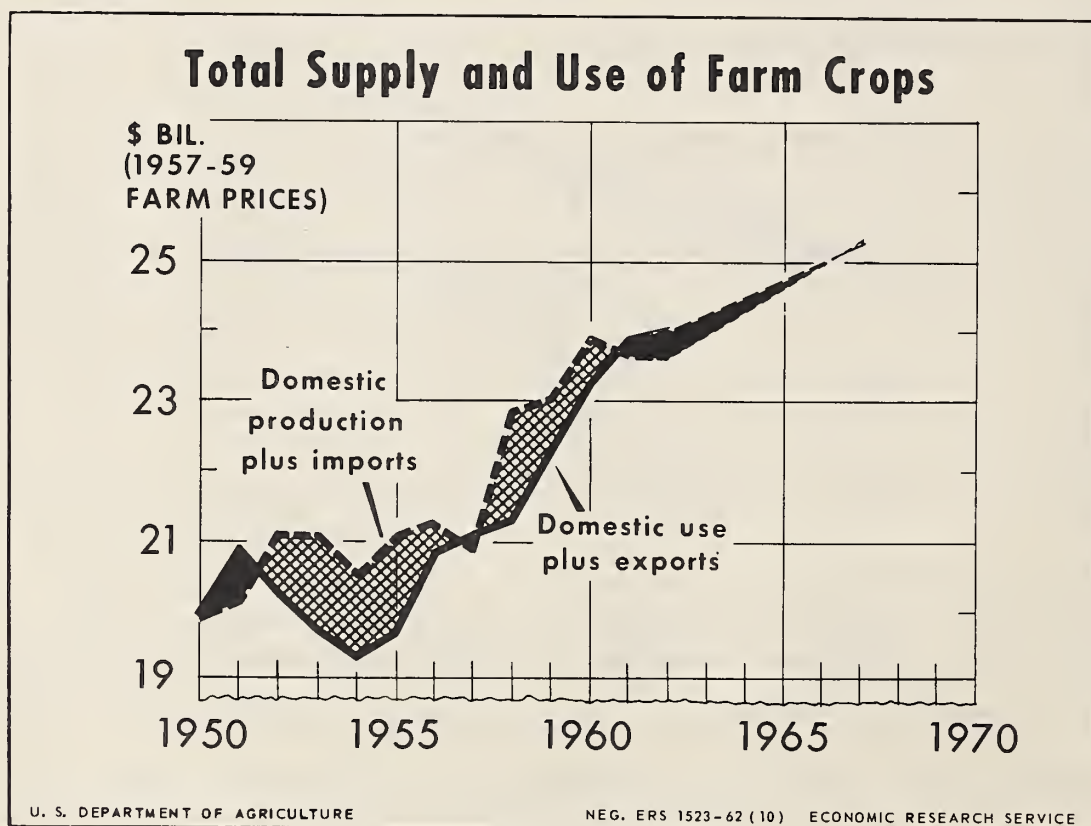


Figure 9

The projected high level of demand for the products of U. S. agriculture is contingent upon vigorous export programs for grains, and especially for fats and oils. If exports fall short of expectations, additional domestic programs would be needed to hold supplies in balance with demands in the years ahead.

### Commodity Highlights - 1963

#### Meat animals

Commercial cattle slaughter in 1963 is likely to be a little over 3 percent higher than it was this year. Hog marketings are likely to be 3 to 4 percent higher. Prices both of cattle and hogs are likely to average somewhat lower in 1963 than they did this year. On the other hand, sheep and lamb slaughter in 1963 is expected to be down sharply from the liquidation of this year, and prices should be substantially higher.

#### Dairy Products

Milk production in 1963 may be about 1 billion pounds above the record 126.5 billion pounds expected in 1962. The increase in consumption is likely to be less than the increase in marketings, and CCC purchases may continue at about the high levels reached in 1962. Proposals for a new dairy program are expected in 1963.

#### Poultry and eggs

The 1963 outlook is for many more broilers and turkeys and slightly more eggs than in 1962.

#### Feed grains

The 1962 crop of feed grains will again fall short of total use. The carryover is expected to be reduced by another 14 million tons. This would mean a carryover into 1963-64 of about 57 million tons, well below the record 85 million in 1961-62. Prices of feed grains and of high protein feeds in 1962-63 may average near, or a little above, 1961-62 levels.

#### Wheat

The 1963 program for wheat is expected to hold production in line with disappearance, thus avoiding a build-up of stocks.

#### Cotton

The carryover of cotton at the end of the 1962-63 season is expected to total about 9.1 million bales -- an increase of over 1 million during the current season and the highest since 1957.

### Fats and oils

The total U. S. supply of food fats and oils during the 1962-63 marketing year beginning October 1 is forecast at a record 16.5 billion pounds (in terms of oil). This is about 4 percent more than the record quantity available last year. Exports may set a new record, roughly 17 percent more than those of the past season. This would mean that carryover stocks on October 1, 1963 would be down about 10 percent from those of this year.

### Vegetables and potatoes

Supplies of canned vegetables are substantially larger than last season and prices are expected to average a little below those of a year earlier. Supplies of frozen vegetables are moderately smaller than a year ago. Also the supplies of potatoes for fall and winter marketing are moderately smaller, and prices to potato growers will probably continue above the depressed levels of a year ago.

### Fruit

Total supplies of fruit from now through the first half of 1963 probably will be a little larger than a year earlier.

### Wool

A moderate increase in domestic wool consumption is expected in 1963, reflecting a relatively stable mill use of apparel wool and an increase in the mill use of carpet wool.

### Tobacco

Total supplies of flue-cured and burley in 1962-63 will be about 2 percent above those of each of the preceding 4 years. Tobacco exports during fiscal year 1962-63 may be a little lower than in 1961-62.







100-100000  
( \* - \* )

UNITED STATES DEPARTMENT OF AGRICULTURE  
Economic Research Service

CHANGING OCCUPATIONS AND LEVELS OF LIVING  
OF RURAL PEOPLE

Talk by Louis J. Ducoff\*  
Economic and Statistical Analysis Division  
at the 40th Annual Agricultural Outlook Conference  
Washington, D. C., 9:35 A. M., Wednesday, November 14, 1962

In this Centennial Year of the establishment of the Department of Agriculture, we cannot help but reflect on the great changes that our Nation has undergone. A century ago the United States reached what W. W. Rostow in his book, "The Stages of Economic Growth" has characterized as the "take-off" stage -- "The great watershed in the life of modern societies ... the interval when the old blocks and resistances to steady growth are finally overcome [and] the forces making for economic progress ... expand and come to dominate the society." In 1860 we were a nation of only 31 million people, 20 percent urban and 80 percent rural. Occupationally we were divided into 60 percent in farming activities and 40 percent in nonagricultural pursuits. We were a young and vibrant and exuberant nation and we had, by 1860, raced through those preceding stages in man's history that Rostow characterizes as the "traditional society" and the stage of "preconditions for take-off" -- epochs that many countries of the world have not yet emerged from and in which countless generations of our forebears in other lands had spent their lives.

Between 1860 and 1920 we forged ahead and achieved full economic maturity and entered the highest of Rostow's five stages -- that of "high mass consumption." We reached this stage earlier than any other nation, we have been in it for the longest period, and are in the process of emerging from it into an as yet unnamed era of the highest level of living attained by any people in the history of mankind.

The process of economic development during the past century is well-reflected in the transformation of the occupational structure of our labor force and of the rural-urban composition of our population. The major pervasive trend with which we are all familiar was from a predominantly rural society to a highly urbanized and industrialized nation. While our agricultural labor force continued to grow the first 50 years of the last century (1860-1910) and nearly doubled by 1910, its growth was at a much slower rate than the nonagricultural labor force, which experienced a six-fold increase from 1860 to 1910. In the last 50 years employment in the nonagricultural sector climbed to two and one-half times that of 1910, while agricultural employment declined, first gradually and in more recent decades, at a greatly accelerated rate with the result that by 1961 agricultural employment amounted to 5.5 million and represented only eight percent of the nation's employed civilian labor force.

---

\*Samuel Baum and James D. Cowhig contributed respectively to the analysis of rural labor force and level-of-living trends.



Accompanying these changes in the labor force were the parallel changes in our population with the decline in the relative size of the rural population and decrease in both the absolute and relative size of the farm population. By 1960 the urban population of the United States accounted for 70 percent and the rural population the remaining 30 percent. Within the rural population there has been a marked shift of an increasing proportion residing in rural-nonfarm areas and a declining proportion living on farms.

These tremendous changes that have been part of our historical economic development process could not have taken place without the revolutionary changes in the productivity and efficiency characterizing our modern agricultural plant which, year by year, has set new records in productivity per man-hour of labor and in aggregate production, more than sufficient to meet the needs of our rapidly increasing population.

It is well, however, to take a closer look at what the impact of our economic development has been on the occupational structure and levels of living of our rural population. In doing so we need also ask ourselves to what extent have all sectors of our population shared in the gains in level of living brought about by our highly developed and affluent economy.

First, we need to bring into focus the fact that the rapid growth of our urban population has meant a relative but not an absolute decline in the size of our rural population. In 1910 we had 50 million people in the rural population, both rural farm and rural nonfarm combined. As of 1960, the rural population numbered 54.5 million (Figure 1). It is in the farm component of the total rural population that the sharp decrease has occurred, from 32 million in 1910 to 14.8 million in 1961, with 86 percent of this decrease having occurred only in the last 20 years.

### The Rural Labor Force

In discussing trends in the rural labor force, we shall summarize these with respect to the workers' occupational and type of industry attachments. The occupational classification relates to the kind of work people do (e.g., carpentry, plumbing, farming, etc.) and the industry classification relates to the type of establishment in which the worker is employed (e.g., furniture factory, clothing store, construction firm, etc.). We shall do so for the rural population as a whole and within it distinguish the trends in the two major sectors - the rural farm and the rural nonfarm. The rural farm part relates, of course, to the occupations being followed by people living on farms, and the rural nonfarm relates to those who live in the open country but not on farms and in villages and small towns of less than 2500 population.

Among the 54 million people living in rural areas in 1960, 18.2 million were in the civilian labor force (the employed and those who were unemployed and looking for work). The size of the rural labor force in 1960 was not very different from that in 1950, but due to the substantial increase in the urban labor force the proportion that the rural comprised of the total labor force declined from 31.6 percent in 1950 to 27.2 percent in 1960.

With the sharp decline in farm population and agricultural employment the occupation and industry "mix" of the rural labor force has been substantially altered. Farmers and farm laborers are no longer the largest occupational group among the rural labor force. In 1940 nearly one-half of the rural employed were either farm operators, farm managers or farm laborers. By 1960 only one-fifth were in the agricultural occupations. Since 1950 the blue-collar workers (skilled and semi-skilled) have surpassed the farm occupations as the most numerous class. (Figure 2.) By April 1960 there were more than 5.5 million Craftsmen, Foremen, and Operatives resident in rural areas as compared to a little more than 3.5 million farmers and farm laborers. The white-collar occupations numbered 4.8 million workers and thus also were more numerous among rural than were the number of rural persons in farm occupations.

From the standpoint of industries in which rural people are employed, we might note that manufacturing is now the single most important industry group, accounting for 4.2 million persons or 24 percent of the total as compared to 3.8 million persons or 22 percent in agriculture in 1960. A decade earlier, agriculture accounted for twice as large a proportion of the rural labor force as did manufacturing - 36 percent and 18 percent, respectively. Wholesale and retail trade establishments comprised the third most important industry group of the rural labor force, and establishments engaged in professional and related services constituted the fourth largest group.

Manufacturing industries increased their employment of rural persons by nearly 900,000 during the 1950-60 decade, a gain of 27 percent. (Figure 3.) This percentage increase was one and one-half times as great as occurred in manufacturing employment among urban residents. Large absolute and relative increases during the decade also occurred among rural people employed in professional and related services, wholesale and retail trade, in finance, insurance and real estate and in other industry categories. Employment in agriculture, as has been indicated, decreased sharply between 1950 and 1960. Decreases also occurred in employment in the other two extractive industries, mining, and forestry and fisheries--industries which predominantly employ rural residents. The drop in mining was quite substantial, 234,000 rural persons or a 40 percent decline from 1950 to 1960, due mainly to the decrease in coal mining.

The occupational and type of industry changes during the 1950-60 decade observed for the rural labor force were parallel to that which occurred among urban residents where the greatest relative gains occurred in the white-collar occupations connected with services of a professional, technical or distributive nature. (Figure 4.) Nevertheless, rural people are still relatively more numerous in the blue-collar groups among occupations which require less education and formal training, but the differences between urban and rural occupational profiles are decreasing.

With heavy decreases in agricultural employment among rural residents, and the largely counterbalancing increases in a wide variety of non-agricultural occupations and industries, it is obvious that we are developing an increasingly more urban-like occupational structure among rural people. (Table 1.) In view of the generally higher incomes obtained in non-agricultural occupations than in agriculture, the effect of these shifts has been to increase average income among rural families and to raise their levels of living.



## Rural Farm vs. Rural Nonfarm Labor Force

One of the significant trends in the rural population during the 1950-60 decade has been the growth of the labor force living in the rural-nonfarm areas as contrasted to the decline of the labor force living on farms. This, of course, follows from the fact that the farm population has decreased sharply while the rural-nonfarm population has increased. The civilian labor force in the rural-nonfarm population increased from 10.4 million in 1950 to 13.4 million in 1960, but the labor force in the farm population decreased from 8.1 million in 1950 to 4.8 million in 1960, according to the last Census of Agriculture. <sup>1/</sup> A part of this large drop in size of the farm labor force is due to the more restrictive definition of farm population adopted in 1960, but a large part of it is also due to the actual decline in number of farms, farm population and agricultural employment.

The major distinction in the occupational distribution of the rural-nonfarm as compared with the rural-farm labor force is the preponderance of employment in agriculture among farm residents and the very small percentage engaged in agriculture among rural-nonfarm residents. Only about seven percent of the rural-nonfarm labor force in 1960 were engaged in farming occupations and this percentage is not very different from what it was in 1950 and in 1940. (Table 2.) Thus, more than 90 percent of the labor force living in rural-nonfarm areas have customarily been employed in occupations other than agriculture. In the case of the farm population, the great majority of the gainfully occupied have traditionally been engaged in farming, but this situation has been changing over some decades and the changes have become progressively more rapid in recent years. Thus, of the employed population living on farms in 1960, only 60 percent were engaged in agriculture and 40 percent in nonagricultural occupations. In 1950, agriculture accounted for 70 percent and in 1940 nearly 80 percent. Thus, the proportion of the employed population living on farms and working in nonagricultural occupations nearly doubled between 1940 and 1960.

### Trends in Agricultural Employment

We may now examine a little more closely what has been happening to agricultural employment. From 1950 to 1960, the number of persons employed in agriculture has dropped from 7.5 to 5.7 million, a decrease of twenty-four percent according to the labor force estimates of the Department of Labor. <sup>2/</sup> (Figure 5.) In 1961 and again in 1962, there were further decreases, bringing

---

<sup>1/</sup> Note should be taken of the substantial and as yet largely unexplained differences between the 1960 Census of Population results on the size of the rural farm population, the labor force resident on farms and employment in agriculture and the corresponding estimates from the Census Bureau's Current Population Survey (CPS) for April 1960. Although the same definitions and concepts were used, the CPS results are consistently much higher than the Population Census. The labor force living on farms, for example, is 6.3 million in the April 1960 CPS compared with 4.8 million shown by Population Census and agricultural employment is 5.4 million compared with 4.3 million in the Population Census.

<sup>2/</sup> Derived from the Census Bureau's Current Population Survey.

agricultural employment to an estimated annual average of about 5.3 million. The agricultural labor force is now no larger than it was shortly after 1850, more than 100 years ago. The decrease during the past decade has been greatest among farm operators themselves, following the sharp decrease in the number of farms. The decrease in unpaid family workers has been roughly proportional to the decline in total agricultural employment. In the case of the hired farm workers, however, there has been no clear persistent trend in either direction since the end of World War II. Thus, with farm operators and unpaid family workers declining, the relative importance of hired farm workers has increased, rising from approximately a fifth of the total agricultural employment shortly after World War II to one-third by 1961. Agricultural employment has decreased in every region of the country. The South, however, experienced the largest absolute and relative drop, with the result that by 1960 the South accounted for only 40 percent of total agricultural employment in the United States as compared with 52 percent in 1940. ( Table 3.)

In view of the extensive mechanization that has occurred on farms during the past two decades and the sharp decrease in labor requirements and labor input in agriculture, it is at first rather surprising to observe that employment of hired farm workers has shown very little change in numbers since the end of World War II. Apparently the effects of mechanization and other labor-saving practices on the employment of hired farm workers have been counter-balanced by the increase in the number of farms with a value of sales of \$10,000 and over. These farms are the principal employers of hired labor and they increased from 484,000 in 1949 to 795,000 in 1959. Farms of this size accounted for 83 percent of the total expenditures for hired labor in the United States in 1959.

### Rural Levels of Living

We have described some of the significant changes in occupational structure of the rural population. Now, let us discuss some of the changes in the level of living of farm and nonfarm families which, to a substantial degree, are a result of these differences and changes in occupational patterns.

We shall examine changes in level of living by noting various indicators that influence or reflect the economic and social well-being of rural families. Income, the possession of certain goods, the extent of educational attainments and the availability of health services are factors that influence the quality or content of level of living.

A comparison of the money income of urban and rural families shows that between 1949 and 1959, median family income increased about 80 percent in each of the three residence categories. (Table 4.) 3/ In 1959 the median money income of rural-farm families of \$3,228 was about two-thirds (68 percent) of rural-nonfarm and just over half (52 percent) of urban families. These relationships were practically the same in 1949, though at lower income levels.

---

3/ Rising living costs absorbed a part of this increase. The real increase in median family income for the United States was 50 percent, after adjusting for changes in the BLS Consumer Price Index from 1949 to 1959.



Nearly a third of all rural-farm families had incomes of less than \$2,000 compared with less than a fifth (18.4 percent) for rural-nonfarm and only one-tenth (9.4 percent) of the urban families. The proportions of families with less than \$2,000 income had declined by half or more in the urban and rural-nonfarm sectors between 1949 and 1959. For rural-farm families the proportion of low-income families did not decline as much. While rural-farm families comprised in 1959 only seven percent of all families in the United States they had 18 percent of all families with less than \$2,000 income. Thus, while substantial economic progress was made by all sectors of the population, farm and nonfarm during the past decade, the wide differentials between the farm and nonfarm sectors have continued to persist.

We should note that family income in the South in 1959 was substantially below that of the other regions--about \$4,500 compared with \$6,000 for the rest of the United States. In both 1950 and 1959, about one-third of all families but over 45 percent of all low-income families lived in the South.

In view of our interest in occupational patterns, we might also note the income differentials among major occupational groups. Data for 1961 show that of the 11 major occupation groups, farmers ranked the third lowest, farm laborers next to the lowest and private household workers (mostly domestic servants) the lowest (Table 5.)

In addition to current income, measures of level of living usually include data on the facilities available to families. The possession of such items as television, telephones, automobiles, home freezers, hot and cold water in the housing structure, are types of items that serve as partial indicators of level of living. The remarkable growth of television ownership between 1950 and 1960 has been widely diffused among all residence groups in the population--the rural as well as the urban. Whereas in 1950 only three percent of the rural-farm households had television sets, by 1960 eighty percent had them (Table 6.) The proportion of housing units with hot and cold water continues to be the item on which there remains the greatest difference between rural-farm and urban residents. In 1960, almost all urban housing units but only two-thirds of the farm homes had hot and cold water. Nevertheless, the proportion of rural-farm housing units equipped with hot and cold water more than doubled between 1950 and 1960.

When we concentrate on farm-operator families and compare the proportion of farms with various facilities, we note that by 1959 almost all farms were electrified: 80 percent had automobiles; two-thirds telephones, and well over one-half had home freezers--almost five times the proportion reporting home freezers in 1950 (Table 7.) Thus, insofar as the possession of these facilities reflects level of living, marked improvement can be seen over the past decade. In part, of course, this improvement reflects more money available to families to purchase such units.

For many years, the U. S. Department of Agriculture has worked on the development of a summary measure which would indicate--albeit only partially--variations in the level of living of farm operators. A major purpose of this index is to show variations on as detailed a geographic basis as possible -- namely, by counties for each State. In 1959, a new formula was developed for the farm operator level-of-living index. <sup>4/</sup> The index is necessarily limited

---

<sup>4/</sup> See James D. Cowhig, Farm Operator Level-of-Living Indexes 1950 and 1959, Econ. Res. Serv., USDA Stat. Bul. 321, Sept. 1962.



to information obtained every five years in the Census of Agriculture, the only source of county data obtained quinquennially. Two major conclusions stem from this work. First, there has been a substantial rise in the index, from a U. S. county average of 59 in 1950 to 100 in 1959. Second, the index shows, as do other measures, marked geographic variations. (Figures 6 and 7.) For example, in both 1950 and 1959, the South ranked lowest on the index and the West ranked highest.

An examination of the educational attainment of the adult population (persons 25 years old and over), suggests that the differences favoring the urban population in 1950 had persisted and in some cases, widened by 1960. For example, in 1960 half of the adults in the rural-farm population had completed 8.8 years of school - a gain since 1950 of only 0.4 of a year in the median grade completed; whereas the median years of school completed by the urban adult population of 11.1 in 1960 rose by practically a full year since 1950. (Table 8.) In both 1950 and 1960, the adult rural-farm population contained the highest proportion of individuals who may be characterized as functionally illiterate (those with fewer than five years of school completed) and the lowest proportion of high school graduates. The proportion of rural-farm high school graduates in 1960 was considerably below that for urban residents 10 years earlier. Nevertheless, the decade did record educational progress in the farm as well as in the nonfarm population. The proportion of adults with at least a high school education has increased and the proportion with very little schooling has decreased. Moreover, the future picture looks still more promising. Particularly noteworthy is the fact that the proportion of rural-farm youths of high school age enrolled in school increased substantially between 1950 and 1960 and reached the level characteristic of the urban population.

A few comments on health facilities: Despite the rapid acceptance of health insurance programs, the proportion of the rural-farm population covered by health insurance is substantially below that of both the urban and rural-nonfarm. Only about four out of ten rural-farm persons but over seven out of ten urban persons were covered by hospitalization insurance in 1959. (Table 9.) Also, proportionately fewer health facilities are available to rural residents than to persons in or near metropolitan areas. This situation may be illustrated by examining the number of physicians per 100,000 population. Partly because of rapid population growth, there was little difference in the physician-population ratio in 1949 and in 1959, but in both years the rural areas were at a substantial disadvantage compared with metropolitan areas. (Table 10.)

### Outlook and Implications

In discussing occupational and level-of-living changes in the rural population we are dealing with the effects of extremely broad and pervasive forces concerning which short range projections are not very meaningful while long range projections are hazardous.

Science and technology in agriculture have brought about a sharp polarization in income and competitive position between farms that are of adequate size to permit efficient family management and an adequate level of family income and farms of inadequate size. In the readjustments that have been occurring in agriculture, the adequate size family commercial farms have

been increasing at an accelerated rate during the past decade. 5/ Farms with less than \$10,000 and particularly those with less than \$5,000 gross sales have been steadily decreasing in numbers and their rate of decrease has also accelerated in recent years. Such adjustments will continue, and bring further sharp reductions in the total number of farms but with an increasing number and sharp gain in the relative importance of the adequate size family farm.

Aside from hired farm employment which is concentrated very heavily on the farms with \$10,000 and over gross sales, the size of the total agricultural labor force and of the farm population is determined principally by what happens to the nearly 80 percent of the farms which in 1959 had less than \$10,000 of sales. There can be little doubt as to the continuing decrease in their number with a consequent downward movement of farm population and agricultural employment. By 1965 agricultural employment as measured by the labor force series of the U. S. Department of Labor, may decline to about 4.8 million and by 1970 to around 4.3 million, if trends of the last ten years continue.

Between now and 1965 the number of hired farm workers may not change much from current levels as the increase in the number of large or adequate commercial family farms will require additional hired workers. This increased demand for hired labor may about offset the reduction in hired labor needs resulting from further adoption of mechanical harvest machines and other manual labor-saving practices.

It should also be recognized that future decreases in agricultural employment as measured by the Monthly Report on the Labor Force will, as in the past, reflect increasing prevalence of part-time farming. The proportion of farm operators with over 100 days of off-farm work has risen steadily, until in 1959 thirty percent of all farm operators were in this category. (Many of these do not report farming as their chief occupation and therefore are not counted in agricultural employment). The trend toward more part-time farming will probably continue.

While our focus in this paper has been on the rural occupational and level-of-living changes, some general observations are in order. As has been indicated in the previous paper, we can be fairly sure of a continued high rate of total population increase for some decades to come. The trend toward further urbanization is, for all practical purposes, irreversible and a further shrinkage of the proportion rural is quite certain. The absolute size of the rural population, however, may not differ greatly from the current level. Thus, for example, should the proportion rural decline at the rate of the past 40 years, then by 1980 we may have only 20 percent of the population rural (compared with 30 percent in 1960). But this 20 percent would still be equal to at least 50 million people under the several total population projections.

---

5/ See H. L. Stewart, Changes in Farms and Farming, 39th Annual Agricultural Outlook Conference, U.S.D.A., Nov. 16, 1961; see also N. M. Koffsky, "Farms and Farmers: Changes Induced by Technologic and Economic Developments." Jour. of Farm Economics, May 1962, pp. 625-632



If our assumption as to the future size of the rural population is tenable, the decrease foreseeable in the farm population and its labor force will be offset by increases in the rural-nonfarm population. The occupational and type-of-industry attachments of the rural-nonfarm population has characteristically been much more like those of the urban population than of the rural-farm population. With declines that have occurred in mining and some other industries that have typically employed rural dwellers the rural-nonfarm and urban labor forces are tending to become ever more similar.

As we have indicated, the rural-farm population has also become increasingly diversified in its occupational and industrial attachments. Nonfarm occupations already claim 40 percent of the farm population who are gainfully occupied and this proportion has shown a steady upward trend which is likely to continue. The national trend of greater labor force participation by women has also reflected itself in the case of women living on farms. Thus, of all females 14 years of age and over living on farms the proportion who are in the labor force has risen from 12 percent in 1940 to 16 percent in 1950 and to 23 percent in 1960, with an increasing proportion of them being employed in non-farm occupations (75 percent in 1960 compared with 60 percent in 1950). The labor force participation by women in farm areas in 1960 is still considerably lower than by urban (37 percent) and by rural nonfarm women (29 percent). Should employment opportunities available to rural-farm women expand an increasing number of them would undoubtedly avail themselves of such employment. The technological revolution in agriculture that has so drastically reduced labor requirements and increased productivity per worker is thus freeing an increasing proportion of individuals in farm families for employment outside of agriculture. For some it has meant migration to rural-nonfarm or urban areas. For others it has increasingly become a matter of commuting to their jobs, while continuing to live on farms. Thus, occupational and patterns of living distinctions between the rural and urban population and between the rural-farm and rural-nonfarm segments are rapidly diminishing.

The adjustments that still need to take place with respect to half or more of the farms and the people on those farms with units that are too small to provide a minimum adequate living from agriculture are of great magnitude and involve a long-term process of development of human and physical resources. The same thing may be said for substantial segments of the rural-nonfarm population. Some of these rural-nonfarm people were previously classified in the farm population under a somewhat less restrictive definition of farm population used prior to 1960. It is therefore well that the Rural Areas Development program does not draw sharp distinctions between rural-farm and rural-nonfarm low-income people experiencing common problems of inadequate employment opportunities, and, under existing conditions, an inadequate potential for development of their human and physical resources.

Nevertheless, it is well to recognize the more acute and special nature of the problem confronting the low-income farm families and their heavy concentration in the South. The information presented indicates that while progress has been achieved in the improvement of levels of living of farm families generally and further progress may be anticipated, there are still wide discrepancies not only in income between farm and nonfarm families but also in educational preparation, health facilities and other measures of general well-being. The farm population has a disproportionate number of its people among the poorly remunerated, the poorly educated and among the underprivileged. The agricultural wage workers, by and large, have a more precarious and less adequate level of living than many low-income farm-operator

families. The importance of agricultural wage workers to the operation of our highly productive sector of commercial agriculture, is too obvious to need any special reiteration. Hence their needs and well-being should be fully considered in such programs as Rural Areas development, manpower training and development or other programs designed to expand opportunities and raise the level of living of low-income sectors of the population.

We know that the requirements of the economy in years ahead will place a premium on a well-trained and well-educated labor force. Those with limited education will be at a considerable disadvantage. The importance of increased investments in basic education and the continuous raising of the level of education of rural youth cannot be overstressed. While progress has been achieved for the rural population as a whole, it has not kept pace with the educational progress made by the urban population and the discrepancies have not narrowed. For some segments of agriculture educational attainment has lagged considerably behind not only the urban situation but also that of the rural-farm population as a whole. For agricultural wage workers for example, no real progress in the average level of educational attainment has been recorded over the past two decades. The meeting of the pressing needs for higher levels of basic educational attainment and for training and retraining of workers in skills that are currently and prospectively in demand are problems of national proportions that are receiving increasing attention. The Manpower Development and Training Act of 1962 represents an important step forward in equipping workers with needed skills and its provisions apply to workers in farm families as well as to nonfarm workers.

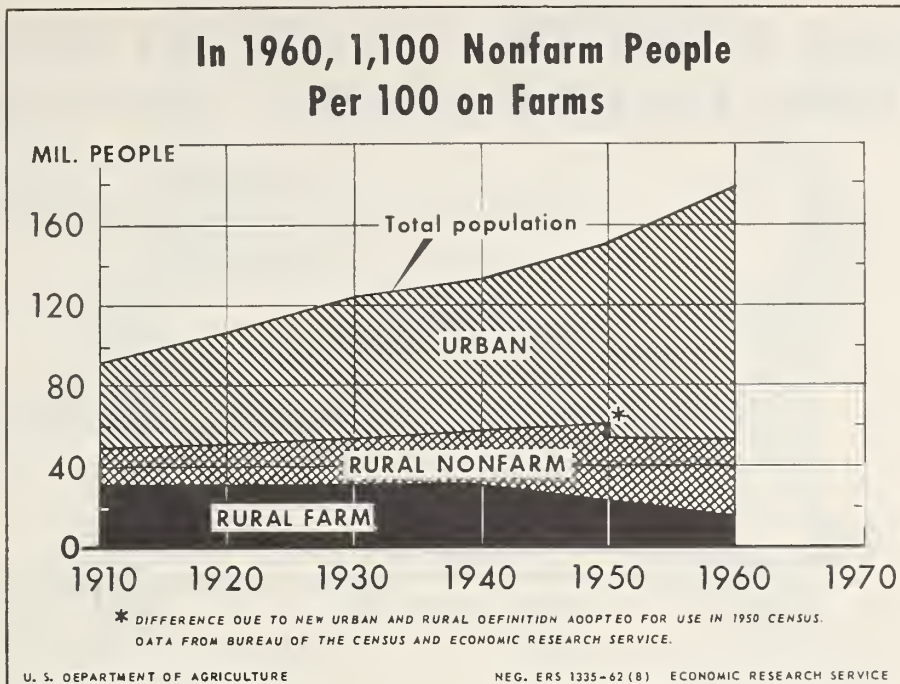


Figure 1

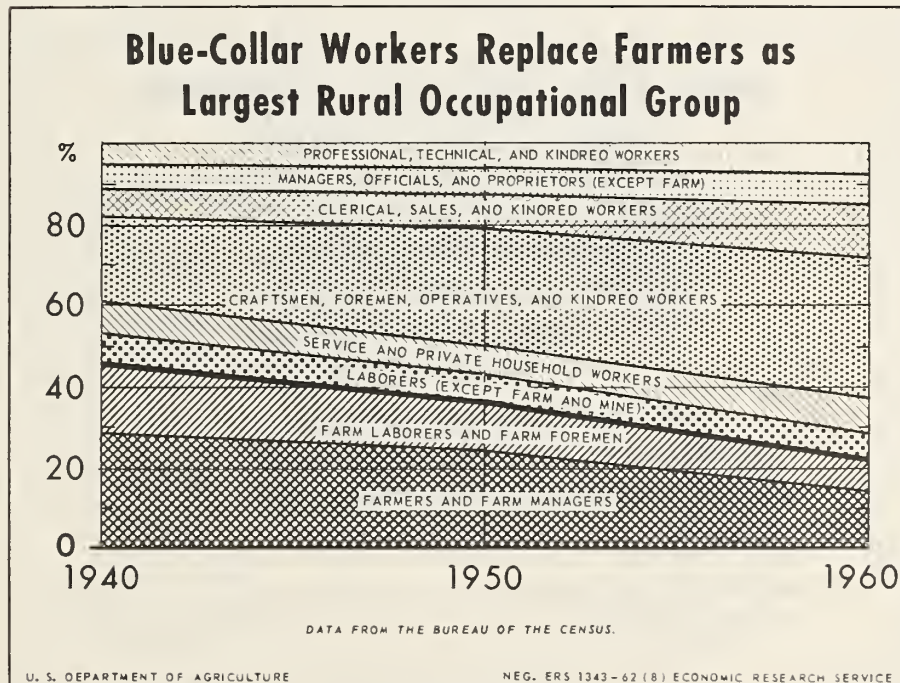
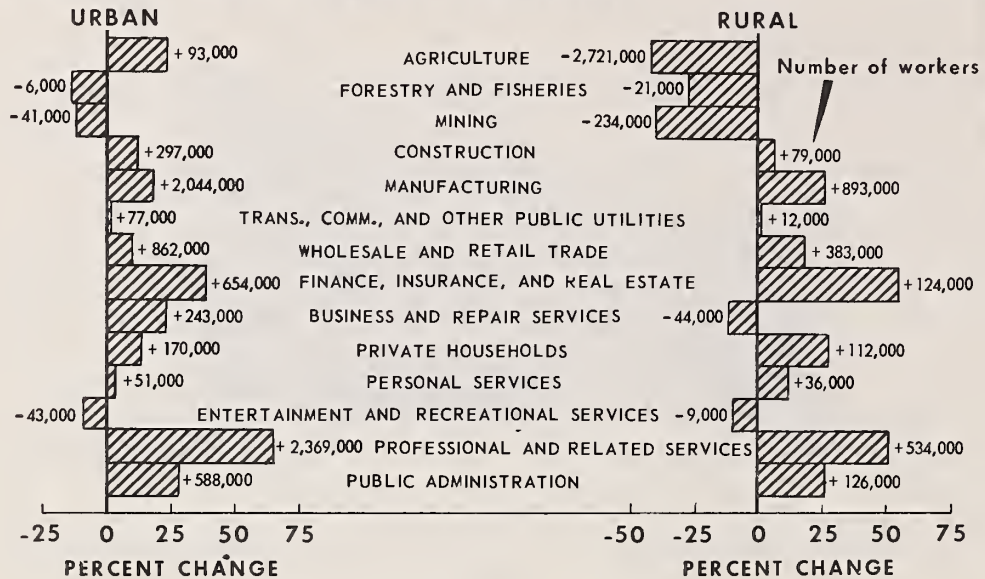


Figure 2



# CHANGE IN EMPLOYMENT BY INDUSTRY GROUPS OF URBAN AND RURAL RESIDENTS, 1950 TO 1960



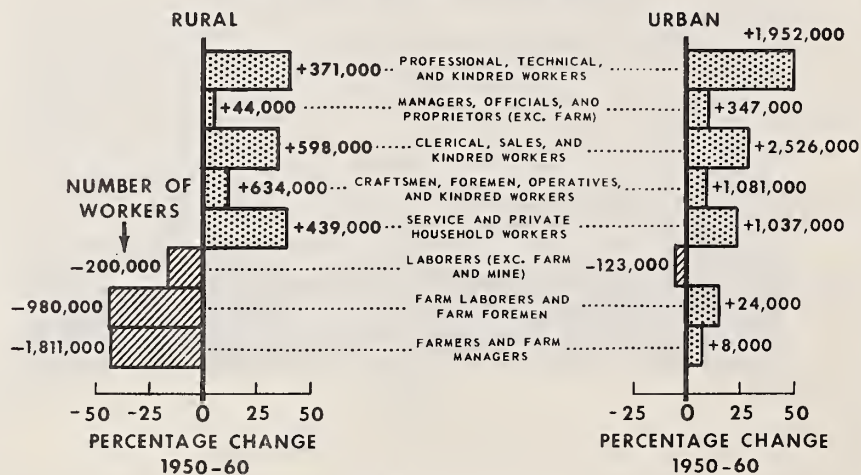
DATA FROM U. S. BUREAU OF THE CENSUS.

U. S. DEPARTMENT OF AGRICULTURE

NEG. ERS 1495-62 (10) ECONOMIC RESEARCH SERVICE

Figure 3

## White Collar and Service Occupations Increase Most in Decade



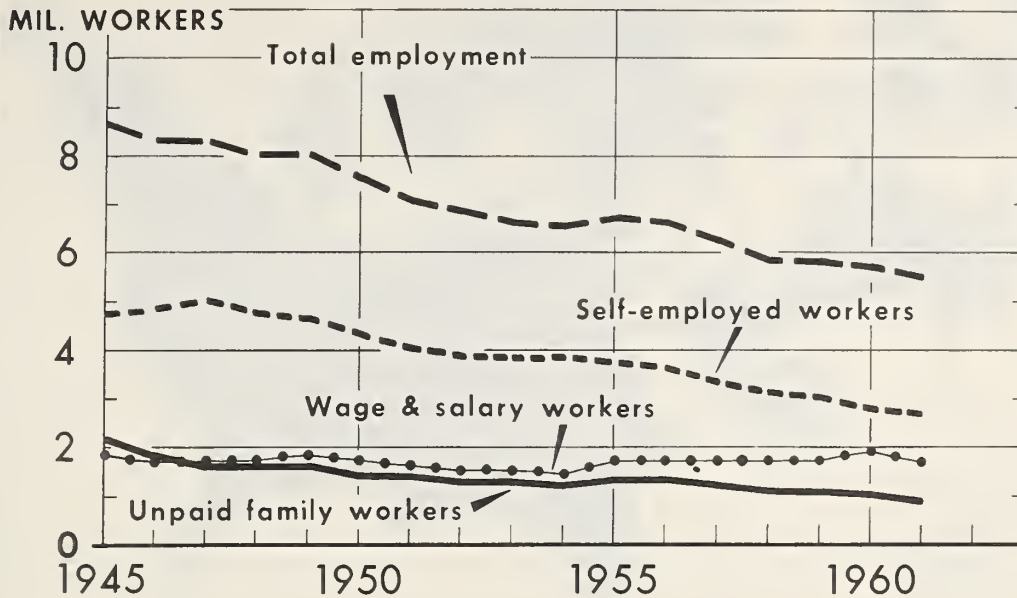
DATA FROM BUREAU OF THE CENSUS.

U. S. DEPARTMENT OF AGRICULTURE

NEG. ERS 1359-62 (9) ECONOMIC RESEARCH SERVICE

Figure 4

## AGRICULTURAL EMPLOYMENT

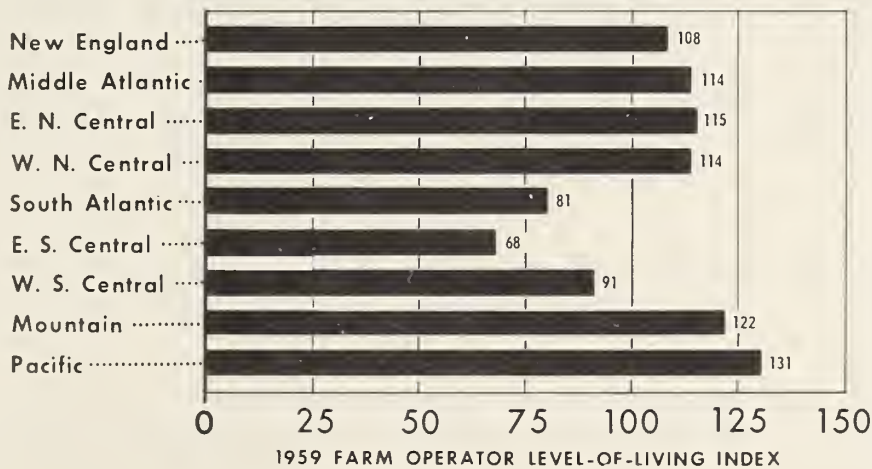


U. S. DEPARTMENT OF AGRICULTURE

NEG. ERS 1494-62 (10) ECONOMIC RESEARCH SERVICE

Figure 5

## Pacific Farm Operators Have Highest Level-of-Living Index



U. S. DEPARTMENT OF AGRICULTURE

NEG. ERS 1342-62 (8) ECONOMIC RESEARCH SERVICE

Figure 6

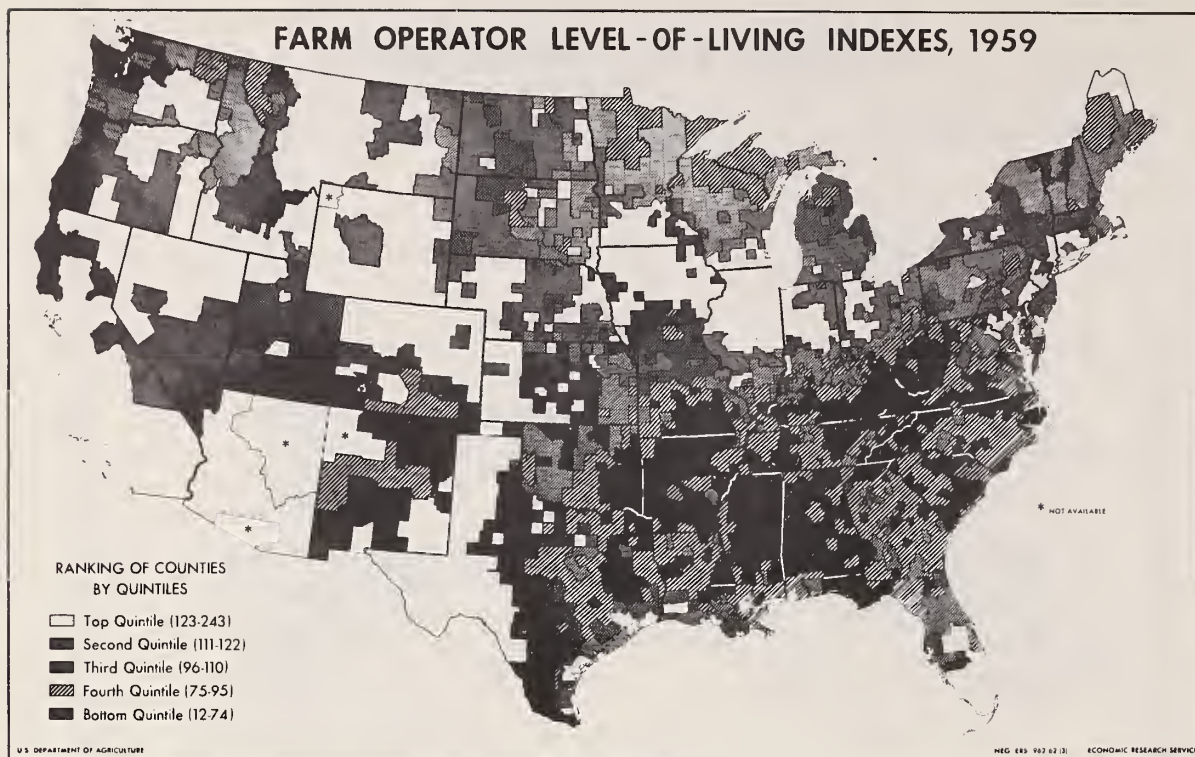


Figure 7

Table 1.--Industry of employed workers, by urban and rural residence, United States, 1950 and 1960

Industry group	Urban		Rural					
			Total rural		Rural nonfarm		Rural farm	
	1950	1960	1950	1960	1950	1960	1950	1960
Total employed (thousands)	38,406	47,390	17,834	17,249	9,860	12,756	7,974	4,673
	<u>Pct.</u>	<u>Pct.</u>	<u>Pct.</u>	<u>Pct.</u>	<u>Pct.</u>	<u>Pct.</u>	<u>Pct.</u>	<u>Pct.</u>
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Agriculture	1.0	1.0	36.4	21.8	8.5	7.6	70.8	60.2
Nonagricultural industries	97.5	94.5	61.7	75.4	89.5	89.4	27.4	37.7
Forestry and fisheries	.1	.1	.4	.3	.7	.4	.2	.2
Mining	.9	.6	3.3	2.1	4.9	2.6	1.3	.7
Construction	6.0	5.5	6.3	7.0	8.9	8.2	3.1	3.7
Manufacturing	29.4	28.2	18.3	24.1	25.6	28.7	9.4	12.0
Transportation, communication, and other public utilities	9.0	7.5	5.0	5.3	7.4	6.2	2.1	2.4
Wholesale and retail trade	21.9	19.6	11.9	14.5	18.0	17.4	4.3	6.9
Finance, insurance, and real estate	4.4	4.9	1.3	2.0	1.9	2.4	.5	1.0
Business and repair services	2.7	2.7	2.0	1.9	3.1	2.3	.8	.7
Private households	3.2	3.0	2.3	3.0	3.1	3.3	1.2	2.0
Other personal services	4.0	3.4	1.8	2.0	2.8	2.5	.5	.8
Entertainment and recreational services	1.2	.9	.5	.5	.8	.6	.1	.2
Professional and related services	9.5	12.6	5.9	9.1	8.4	10.6	2.7	5.2
Public administration	5.2	5.5	2.7	3.6	4.0	4.2	1.2	1.9
Industry not reported	1.3	4.5	1.9	2.8	1.9	3.0	1.8	2.1

Source: U. S. Bureau of the Census. Censuses of Population, 1950 and 1960.



Table 2.--Percent distribution of employed persons residing in rural nonfarm and rural farm areas, by major occupation group, 1940 to 1960

Occupation group	Rural nonfarm			Rural farm		
	1940	1950	1960	1940	1950	1960
Total employed	100.0	100.0	100.0	100.0	100.0	100.0
Farm occupations <u>1/</u>	6.3	7.9	6.7	78.2	70.4	59.1
Professional, technical, officials, and proprietors, except farm	19.3	17.3	17.2	3.8	4.4	6.5
Clerical and sales workers	12.3	13.9	15.6	2.3	3.9	6.9
Craftsmen, operatives and kindred workers	36.9	40.6	39.2	8.3	13.4	16.9
Service workers <u>2/</u>	13.2	9.4	10.6	3.4	2.6	4.9
Laborers, except farm and mine	10.9	9.2	6.7	3.4	3.6	3.2
Occupation not reported	1.1	1.7	4.0	.6	1.7	2.5

1/ Farmers, farm managers, farm laborers and foremen.

2/ Includes private household workers.

Source: U. S. Bureau of the Census, Decennial Censuses of Population.

Table 3.--Regional distribution of agricultural employment,  
United States, 1940-1960

Region	1940	1950	1960
	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>
United States	100.0	100.0	100.0
Northeast	7.0	7.4	8.1
North Central	32.2	35.5	36.8
South	52.2	47.3	40.9
West	8.7	10.8	14.2

Source: U. S. Bureau of the Census, Decennial Censuses of Population.

Table 4.--Family money income for the United States, urban and rural  
1959 and 1949

Residence	Percent of families with incomes:				Median family income	
	Under \$2,000		\$10,000 and over			
	1959	1949	1959	1949	1959	1949
	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Percent</u>	<u>Dollars</u>	<u>Dollars</u>
Total	13.1	29.3	15.1	3.1	\$5,660	\$3,073
Urban	9.4	21.2	17.7	3.9	\$6,166	\$3,431
Rural nonfarm	18.4	36.9	9.0	1.7	\$4,750	\$2,560
Rural farm	32.2	56.1	6.8	1.8	\$3,228	\$1,729

Source: U. S. Bureau of the Census. U. S. Census of Population, 1960.  
General Social and Economic Characteristics, United States  
Summary. Final Report PC (1) 1 C. U. S. Government Printing  
Office, Washington, D. C., 1962. Tables 95 and 96.

U. S. Bureau of the Census. U. S. Census of Population, 1950.  
Vol. II, Characteristics of the Population, Part I, United  
States Summary. U. S. Government Printing Office, Washington,  
D. C., 1953. Table 57.

Table 5.--Median money income of workers in 1961,  
by occupation of longest job during year,  
United States

Occupation groups	All workers		Year-round full-time workers 1/	
	Male	Female	Male	Female
	Dollars	Dollars	Dollars	Dollars
Total with earnings	4,605	1,751	5,595	3,315
Professional, technical and kindred workers	6,740	3,552	7,468	4,875
Farmers and farm managers	1,806	--	2,155	--
Managers, officials, and proprietors, except farm	6,554	2,563	6,977	3,411
Clerical and kindred workers	4,790	2,835	5,355	3,719
Sales workers	4,878	1,038	6,021	2,391
Craftsmen, foremen, and kindred workers	5,404	2,750	6,005	--
Operatives and kindred workers	4,341	2,118	5,150	2,951
Private household workers	--	387	---	1,140
Service workers, except private household	3,114	1,069	4,322	2,302
Farm laborers and foremen	493	284	1,944	--
Laborers, except farm and mine	2,044	--	4,250	--

1/ Persons who worked 35 hours or more per week for 50 weeks or more during the year.

Source: U. S. Bureau of the Census, Current Population Reports,  
Consumer Income, Series P-60, No. 38, August 28, 1962,  
Table 6.

Table 6.--Percent of occupied housing units with selected facilities,  
United States, 1960 and 1950

Residence	Television		Radio		Hot and cold water in structure	
	1960	1950	1960	1950	1960	1950
	Percent	Percent	Percent	Percent	Percent	Percent
Total	87	12	91	96	96	70
Urban	89	16	92	97	99	86
Rural nonfarm	82	6	88	93	88	50
Rural farm	80	3	91	92	65	29

Source: Data for 1950 from U. S. Bureau of the Census. U. S. Census of Housing: 1950, Vol. I, General Characteristics. Chapter 1, U. S. Summary. U. S. Government Printing Office, Washington, D. C., 1953. Tables 8 and 12.

Data for 1960 from advance data U. S. Census of Housing: 1960.

Table 7.--Facilities on farms, United States, 1959 and 1950

	Percent of farms reporting:			
	Electricity	Telephones	Home Freezers	Automobiles
	Percent	Percent	Percent	Percent
1959	96	65	56	80
1950	78	38	12	63

Source: Data for 1959 from Statistical Abstract of the United States, 1962. Table 881, page 636, and from Rural Electrification Administration release of January 5, 1960.

Data for 1950 from Trends and Patterns in Levels of Living of Farm Families in the United States. USDA Agr. Inf. Bull. 181, 1958.



Table 8.--Years of school completed by persons 25 years old and over and percent enrolled in school, by age, for the United States, urban and rural, 1960 and 1950

Year and residence	Years of school completed			Percent enrolled in school					
	Percent completing:			Age					
	Less than 5 years			12 years or more					
	Pct.	Pct.	Median years completed	7-13	14-15	16-17	18-19	20-24	
1960									
Total	8.4	41.1	10.6	97.5	94.1	80.9	42.1	14.6	
Urban	7.3	44.3	11.1	97.8	94.9	82.0	45.2	17.2	
Rural nonfarm	10.9	34.4	9.5	97.1	92.6	77.8	33.9	8.2	
Rural farm	11.3	29.5	8.8	97.2	93.0	81.8	38.9	7.1	
1950									
Total	10.8	33.4	9.3	95.7	92.9	74.4	32.2	12.9	
Urban	9.1	37.8	10.2	96.1	94.8	78.8	36.5	15.8	
Rural nonfarm	12.5	27.8	8.8	95.5	92.1	70.2	25.6	8.0	
Rural farm	16.5	19.6	8.4	94.7	89.1	67.2	25.1	5.5	

Sources: U. S. Bureau of the Census. U. S. Census of Population: 1960. General Social and Economic Characteristics. United States Summary. Final Report PC (1)-1 C. U. S. Government Printing Office, Washington, D. C., 1962. Tables 73 and 76.

U. S. Bureau of the Census. U. S. Census of Population: 1950. Vol. II. Characteristics of the Population, Part I. U. S. Government Printing Office, Washington, D. C., 1953. Tables 42 and 44.

Table 9.--Percent of population with health insurance coverage,  
United States, 1959

Residence	Type of coverage		
	Hospital	Surgical	Doctor visits outside hospital
Total	67	62	19
Urban	72	66	20
Rural nonfarm	68	64	21
Rural farm	45	40	12

Source: United States National Health Survey. Health Statistics  
Series B, No. 26, Washington, D. C., Dec. 1960, p. 2.

Table 10.--Physicians per 100,000 population, United States,  
by type of area, 1959 and 1949

Area	1959 rate	1949 rate
United States	119.4	118.8
Metropolitan and adjacent	132.6	135.9
Greater Metropolitan	158.4	171.9
Lesser Metropolitan	129.5	130.1
Adjacent to Metropolitan	77.2	77.4
Isolated	74.7	73.7
Isolated semi-rural	81.1	79.6
Isolated rural	47.4	50.0

Source: Health Manpower Source Book. Physician's Age, Type of Practice  
and Location. Public Health Service Publ. 263, Section 10,  
U. S. Dept. of Health, Education, and Welfare. U. S. Government  
Printing Office, Washington, D. C., 1960. p. 11.









UNITED STATES DEPARTMENT OF AGRICULTURE  
Agricultural Research Service

COIN-OPERATED DRYCLEANING

Talk by Lucile F. Mork  
Consumer and Food Economics Research Division  
at the 40th Annual Agricultural Outlook Conference  
Washington, D.C., 10:45 a.m., Friday, November 16, 1962

Coin-operated drycleaners are sprouting all over the country. They are located in shopping centers, supermarkets, or just the empty store in the middle of the block. This do-it-yourself type of drycleaning is still a young industry and growing rapidly.

Coin-operated machines were first introduced in Little Rock, Arkansas in 1959, but they didn't receive national promotion until a year later. By 1961, there were about 20,000 machines in 2,400 establishments. 1/ Today, in the United States, there are at least twice this number of establishments with anywhere from 2 to 32 machines each, and the number of establishments is increasing daily. 2/ Some of these machines are located in stores devoted entirely to coin-operated drycleaning, a few are located in commercial cleaning shops, and others are combined with automatic laundry centers.

With the increase in number of coin-operated machines, consumers have been dropping more coins into them to dryclean their clothes. In 1960, consumers inserted \$1 million worth of quarters; last year they inserted about \$50 million. For the current year, consumers are expected to deposit more than \$100 million, according to the National Automatic Laundry and Cleaning Council (trade association of manufacturers and distributors of coin-operated cleaning machines). 3/

This fast growing drycleaning business has meant tremendous gains for equipment and chemical makers. Coin-operated drycleaning machines are chalking up sharper sales gains this year than any other product manufactured by the appliance makers. 4/

New laws sought

Rigid regulations for coin-ops (as they are called for short) exist in some areas. In New York City, for example, regulations limiting the number of machines that can be installed under one roof, make it impossible to install large, economical coin-operated centers. 5/ Zoning changes now under study may eventually relax the regulation.

---

1/ Chemical and Engineering News, p. 21. August 27, 1962.

2/ Financial World, p. 4. September 19, 1962.

3/ Ibid.

4/ Wall Street Journal, p. 26. September 6, 1962.

5/ See footnote 1, p. 22 of reference.

In California, coin-ops are regulated by the State's Drycleaning Board. The board says coin-operated, like other cleaners, must be attended by someone with an operator's certificate. The usual requirements for a certificate include a year's experience in drycleaning and an examination. At last count, there were less than 100 establishments in the State, says NALCC.

Problems abound across the country. The National Automatic Laundry and Cleaning Council is attempting to have some of the rules modified without risking public safety, and reports it is making progress. In the past 18 months, more than one-fourth of the States have adopted safety codes that regulate such items as ventilation and solvent use. A number of States insist that attendants be present when machines are in operation.

### How machines work

The coin-operated drycleaning machines, styled to resemble home washer-dryer combinations, work on the general principle of commercial drycleaning equipment. Most of them handle an 8 to 10 pound load; the consumer puts the articles to be cleaned in, inserts the required number of quarters into a coin slot (depending on local charges), and the machine takes over, agitating the articles in cleaning solvent, removing the excess solvent, and drying the load. Most of the machines that have been in use to date circulate the solvent through filters to clean and purify it before returning the solvent to the storage tank. All machines are supposed to have safeguards to keep toxic fumes from the user. Some companies also have hand-operated prespotting devices which spray spot stains with a fine mist of water or other liquid before the clothes enter the hopper. The articles come out dry and ready to take home.

### Drycleaning systems

Two drycleaning systems are now available. The first system--the one predominately in use--uses perchloroethylene (called Perc in trade lingo) as the cleaning solvent. It was this solvent that permitted the development of the coin-operated drycleaner. Perc is nonflammable, has an acceptable toxicity limit, and does not harm acetate dyes. The cycle time for most perc-using machines ranges from about 45 minutes to more than one hour for completion of the cleaning-drying cycle. Fifteen minutes of this time is for cleaning and the remainder for drying. The machines are not used steadily all day, but there are peak periods when all machines are in use and some people waiting for a machine. A faster machine cycle would obviously make possible more loads per day. The somewhat limiting factor with perc as the solvent is its rather low evaporation rate.

Shorter cycle made possible.--The second system, until recently in the experimental stage, does not use perc as the cleaning solvent, but instead uses a fluorocarbon cleaning solvent which is of a completely different type. This solvent can reduce the drycleaning cycle to little more than the time required for cleaning (15 to 20 minutes) because it evaporates very rapidly at room temperature. One of the large chemical companies has developed a drycleaning fluid based on this cleaning solvent. It is sold under the name of Valclene.



Valclene also contains a detergent, a fabric conditioner, and an anti-static agent; and is said to minimize soil depositing and fabric shrinkage. Its action on fibers, fabrics, colors, and finishes has been observed and found to be satisfactory. 6/ It has also been successfully used experimentally on plastic materials, adhesives, and rubber compounds that are used in the make up of many garments. (Perc has been found to dissolve some plastic buttons and buckles, and garments with rubber survive relatively few cleanings with perc.)

Little or no heat is needed to evaporate Valclene. This high volatility is very desirable from the point of view of drying time. But the machine must be tight as a compressor to hold it. Making a machine tight enough to contain such a liquid is very expensive. Machines that use perc can't use Valclene. The solvent also is very high priced, compared with perc, so that high solvent losses cannot be tolerated.

Only two manufacturers make machines that take Valclene. By comparison, at least 25 companies make perc-using machines, although 10 companies probably make 80 percent of them.

Of the two manufacturers making Valclene-using machines, only one was ready to begin deliveries this fall. The other is still experimenting with their machine and has not set a target date for full-time production. The machine on the market uses a blast of room-temperature air (hot air is not necessary as in the case of perc) to drive off the solvent; it recovers the evaporated solvent through condensation, but with an important intermediate adsorption stage. In effect, the solvent is distilled each time the machine is used; thus filters and pumps are not needed.

Cost of cleaning may be higher.--Since Valclene is higher in cost than perc and the machines to use it more expensive to make, the cost of cleaning to the consumer may be higher. At least one large manufacturer of drycleaning equipment believes that this cleaning fluid will not replace perc, but that it will find usage when the consumer wants faster service and is willing to pay for it.

Valclene-using machines cost about \$4,000 compared with \$2,500 for a perc-using machine; the basic solvent costs between \$8 and \$9 per gallon compared with \$2 for perc. 7/ Producers of the Valclene-using machines point out that the higher costs are outweighed by their higher output. Because of their shorter cycle six of the machines do the work of 16 perc-using units.

#### Other manufacturers cut time

Makers of perc-using drycleaning machines are counterattacking by reducing the time cycle of their units, even though they point out that coin-operated machines are in use only 30 to 40 percent of the time. One maker was ready to put a new variable-cycle drycleaner model on the market this fall that reduces the time cycle to about 30 minutes. This perc-using

---

6/ Textile Industries, p. 101. July 1961.

7/ Chemical Week, p. 56. September 1, 1962.



machine has a device called "DryTrol" that regulates cycle time by measuring the amount of solvent remaining in the drycleaning load and automatically timing the cycle until the load is dry. The company is also making a conversion kit (\$150 each) that can be used on older machines to reduce the time cycle.

Other companies have also been whittling away at the drycleaning time of their machines. Some claim to have cycles of less than a half hour. The shorter cycle of these machines has been achieved by more efficient heating, air flow, and drying.

An additional incentive to reducing the cleaning-drying cycle may be the spreading of coin-operated machines into service stations, apartment houses, dormitories, and even parking lots. If consumers are to be persuaded to use machines in some of these locations, an important factor could be the time required.

### Conclusion

Coin-operated drycleaning is probably here to stay. As long as consumers are satisfied with this type of service and it is profitable to investors, the industry is likely to continue to expand. It has been predicted that about four times the number of machines in use today will be operating in the United States within the next 3 or 4 years. Canada already has machines in use and at least one appliance maker is eyeing Europe as a market.

Coin-operated drycleaning appeals to consumers in two ways--its economy and its convenience. Coin-operated drycleaning can probably save consumers a good deal of money. Some families may wish to use the coin-operated service for only a part of their drycleaning and continue to send some items to their regular commercial service.

Coin-operated drycleaning can be a boon from the standpoint of convenience. A person can use the service, go on to other errands, come back pick up the items, and take them home in the car. Many garments such as skirts, sweaters, jackets, children's snowsuits, and simple dresses can be cleaned in a coin-operated machine and worn without pressing or with only touch-up pressing. Draperies and slip-covers usually do not need to be pressed.

Some improvements to look forward to are: Improved spotting service (perhaps attendants who are experts in the art of spotting), more pressing service offered on the premises (at an added cost, of course), and continued effort on the part of machine makers to make more efficient machines.

The present cost of coin-operated machines rules out home units at this time, but one company has already said that they are only about 5 years away. One possibility is a combination washer-dryer-drycleaner.

## UNITED STATES DEPARTMENT OF AGRICULTURE

Comments by Louis J. Paradiso,  
Assistant Director-Chief Statistician,  
Office of Business Economics, Department of Commerce,  
at the 40th Annual National Agricultural Outlook Conference,  
November 13, 1962

My comments will be directed to two sectors of the economy -- business purchases of capital goods and consumer buying of goods and services.

Business spending

Business expenditures for plant and equipment have been sluggish since 1957. The outlays of \$37 billion expected this year are only a little above their prior peak in 1957 and are 20 percent short of the amount associated with a full employment economy -- that is, the amount indicated for 1962 if these expenditures had rebounded to their long-term trend of the postwar high employment years.

Present indications are that business plant and equipment expenditures are expected to show only a modest rise next year. Private surveys suggest a 3 to 5 percent increase in 1963 over the 1962 total. This implies little or no rise from the present rate. However, there is as yet no clear evidence that plant and equipment expenditures will actually show a decline over the next six months. On the contrary, there is some indication that they will be maintained at about the current fourth quarter rate during the first half of next year, and after that turn upward.

During the postwar years, except for the Korean period, new orders received by machinery and equipment companies have foreshadowed changes in plant and equipment expenditures by about six months. These orders have tended upward this year although the advance has moderated somewhat. More recently they have been running 7 percent above a year ago. Unfilled orders of these firms have been fairly stable since mid-year and are a little above year ago rates. Thus, if past experience is any guide, the order position does not point to a decline in plant and equipment outlays over the next six months or so.

The Government's incentives -- the investment tax credit and liberalized depreciation -- should result in stepped-up expenditures after the middle of next year. The effect of the incentives is to increase the cash flow of business firms. Usually a marked increase

in the cash flow has resulted in higher expenditures six months to a year later. A reduction in corporate income tax rates, if enacted by the Congress next year, should provide an additional stimulus.

The indicated increase in business fixed investment for 1963 will be far short of the amount associated with a full employment economy, which if realized would mean a GNP next year of around \$610 billion -- a total about 10 percent higher than the GNP expected this year. In order to be consistent with the 1963 full employment GNP, plant and equipment outlays must increase by 25 percent over this year's total. In this context, the rise indicated by the surveys would be only a fraction of the capital expansion associated with full employment.

Investment in business inventories has been sharply reduced in the last three months, partly because of continued liquidation of steel stocks. Inventory-sales ratios are generally low, business inventory policy continues to be quite conservative and is strongly influenced by the current inventory position. Also inventory changes are closely geared to production schedules and sales performance. Although both production and sales are expected to be higher next year, inventory additions may well be limited and held close to minimum requirements. Hence, such investment is not likely to contribute much to the total advance in GNP.

#### Consumer spending

The two major expansionary forces next year are expected to be consumer purchases of goods and services and government expenditures. I shall deal with the former. Dynamic changes in consumption are concentrated in durable goods, particularly automobiles. So far, sales of the 1963 car models are way beyond expectations. The October annual rate of domestic sales, seasonally adjusted, was close to 8 million cars -- a record performance. As a result, automobile companies this quarter are stepping up their production rate by 10 percent over the fourth quarter of last year. To what extent the current spurt in car buying represents borrowing from future sales cannot be foretold at this time. A sales total of domestics and imports next year equal to or exceeding this year's total of 6.8-7 million cars does not seem unreasonable. Such sales would not be extraordinarily high, and in fact would be about in line with the expected consumer income flow.

Sales of durable goods other than autos, including furniture and appliances in 1962, are expected to be 3 percent above last year. Some further moderate gain is likely in 1963, reflecting primarily higher incomes particularly since it is expected that residential housing starts in 1963 will not be too different from the total for this year.



Expenditures for nondurable goods and services tend to move closely with the consumer income flow. In recent years these purchases have fluctuated narrowly around 80 percent of disposable personal income. On this basis, such expenditures next year are likely to be about 3-1/2 percent above this year.

Expenditures for nondurable goods at the present time comprise 45-1/2 percent of aggregate consumer spending. The largest component -- purchases of food and beverages -- will amount to about \$85 billion in 1962, or nearly 24 percent of total consumer expenditures. This ratio has been drifting downward; ten years ago it was 29 percent. Assuming a further small decline in the ratio, the indicated food bill in 1963 would be \$87-1/2 billion, an increase of 3 percent over this year. Expenditures for clothing and shoes may rise by a similar percentage. In the third quarter of this year they were \$1.3 billion or nearly 4-1/2 percent above last year's third quarter annual rate of \$29 billion. Outlays for gasoline and oil and for other non-durables are also expected to rise moderately.

Finally, consumer expenditures for services have been growing strongly and at a fairly steady pace throughout the postwar period; in part the dollar outlays were influenced by steady increases in prices of services. In the third quarter of this year expenditures for services were up \$8 billion over the third quarter of last year; they now comprise more than two-fifths of total consumer spending. All major groups of services have been rising with outlays for housing, household operation, medical care, and repairs of all types increasing most rapidly. There is no reason to believe that the recent rate of growth of consumer services will not continue next year.

In conclusion, aggregate expenditures by business and consumers are likely to move moderately upward throughout 1963. With government purchases also rising, total GNP can be expected to move ahead moderately in the quarters of next year. But present indications are that demand for durable goods will continue to be relatively sluggish. We need a vigorous economy operating at its full potential and growing at a faster pace than in the past. It is unlikely that we will succeed in attaining these objectives next year unless demand for durable goods increases by substantially more than now appears probable.





(\* - \*) *12-10*

UNITED STATES DEPARTMENT OF AGRICULTURE  
Economic Research Service

CURRENT AND FORESEEABLE TRENDS IN RURAL POPULATION

Talk by Calvin L. Beale  
Economic and Statistical Analysis Division  
at the 40th Annual Agricultural Outlook Conference  
Washington, D. C., 9:15 A.M., Wednesday, November 14, 1962

Seldom has a Nation changed its demographic course more quickly and thoroughly than did the United States between the outbreak of the War in Europe in 1939 and the period immediately following its own entry into the conflict in 1941. In 1939 births did exceed deaths, but only because the older generation from which most deaths occurred was smaller than the younger generation that was bearing children. City people were having 25 percent fewer children at the time than were necessary to replace themselves, a deficit that was not quite offset by the higher fertility of rural people. Three years later in 1942 the excess of births over deaths had doubled.

This surge of fertility reached its full expression after the war and continues with little abatement today. In conventional outlook terms our 1962 population production will be about 4.3 million units, down slightly from the previous year; disappearance will reach 1.7 million units, up slightly from last year; foreign trade is yielding a net import of .3 million, essentially unchanged; and stocks on hand will have risen by 2.9 million at year's end. The result is that the total population is now approaching 188 million. One way of assessing the rate of growth is to note that although there has not yet been time enough to publish all of the results of the 1960 Census of Population, more than 8 million people have been added to the population in the interim since the census was taken.

Rural Population Change.--The rapid and well-publicized growth pattern of general population has not been typical of all elements of the population, however. The Nation had 54,054,000 rural people in 1960, comprising 30 percent of the total population. (This figure includes all persons living in the open country plus those in places of less than 2,500 inhabitants that are beyond the densely settled suburban fringes of metropolitan cities.) Ten years earlier the rural population was more than 400,000 higher, but the difference can be accounted for by slight changes in the method of defining urban and rural. Essentially, the total rural population was stationary during the 1950's but with large redistribution. The South Central and Plains States had substantial rural losses which were nearly offset by gains in the Northeast, the Lower Great Lakes Area, Florida and the Pacific States.

At the heart of the stationary overall level of rural population was the extensive change taking place in agriculture, reflected by a rapid decline in the farm population. Precise comparisons of farm population data over the last decade are difficult, because of the radical alteration in the definition of farm residence that was adopted in 1960. The official figure on the new definition for 1960 is 15,635,000. We estimate that the comparable figure in 1950 may have been as high as 23 million. 1/

1/ The figure of 15,635,000 is an annual average for 1960 derived from the Current Population Survey of the Bureau of the Census. The enumerated farm population in the 1960 Census was 13,445,000. The reasons for this discrepancy are not fully understood. Some evidence is available that suggests the Current Population Survey figure may be somewhat too high, but that the 1960 Census count is too low.

Table 1.--U. S. Population, by Residence: 1960

Division	Population			Percent change since 1950		
	Total	Urban	Rural	Total	Urban	Rural
	(000)	(000)	(000)			
United States	179,323	125,269	54,054	18.5	29.3	-.8
New England	10,509	8,032	2,478	12.8	13.1	12.0
Middle Atlantic	34,168	27,808	6,360	13.3	14.6	7.9
East North Central	36,225	26,435	9,790	19.2	24.8	6.3
West North Central	15,394	9,046	6,348	9.5	23.8	-6.0
South Atlantic	25,972	14,852	11,120	22.6	42.9	3.0
East South Central	12,050	5,831	6,220	5.0	30.0	-11.1
West South Central	16,951	11,478	5,473	16.6	42.1	-15.2
Mountain	6,855	4,601	2,254	35.1	65.1	-1.5
Pacific	21,198	17,186	4,012	40.2	52.9	3.6

Source: U. S. Census of Population: 1960. Number of Inhabitants, Tables 9, 10, and 20.

For many years the rural population was widely thought of as synonymous with the farm population. A century ago the proportion of the Nation's workers engaged directly in farming was  $\frac{3}{4}$  as high as the proportion of the total population that lived in rural territory. It was only in the 1920 Census that data were first published for rural-farm and rural-nonfarm people separately.

Population composition.--Today's rural population is a very heterogeneous group. Hardly  $\frac{1}{4}$  of it consists of farm residents. In the rural-nonfarm majority there are many people whose lives are closely linked with agriculture, such as farm laborers, agricultural processors, suppliers of farm equipment, and others. On the other hand there are millions of rural people without any meaningful agricultural connections. They work in nonfarm industries--many commuting to the city--or are retired, or make up the population and staff of the colleges, institutions, and military installations that are located in rural territory. Rural people may be living in densities of 40 or more households per square mile, with cities all around them, as they do throughout Southern New England. Or, they may be in areas settled so thinly that there is only one household for every 3 or 4 square miles, as in Wyoming or Nevada, with even the smallest urban place a considerable distance away. It has become widely understood that a majority of the American people are urban and that most population growth in recent times has been metropolitan. What seems to be less understood, however, is that the urban population is so heavily concentrated in metropolitan areas in and around cities of more than 50,000 people (80 percent of the urban total) that the nonmetropolitan population is still predominantly rural. Notwithstanding the thousands of small towns and cities of under 50,000 inhabitants that dot the Nation, only 39 percent of the nonmetropolitan population is urban. Furthermore, despite the expansion of the large cities, nonmetropolitan areas still occupy  $\frac{9}{10}$  of the land area of the country, even excluding Alaska.

County trends.--In 1950 there were a little more than 2,400 counties in the Nation that were entirely or primarily rural in their population. During the following decade  $\frac{3}{5}$  of them declined in population, because



of migration of people to other areas. In general, if a county were entirely rural the chances were 3 out of 4 that it would drop in population; if primarily rural, but with at least one urban place, a county had a 50-50 chance of not declining. Of the 2/5 of all rural counties that gained, the majority did not gain enough population to equal all of their excess of births over deaths. In other words, their population grew slowly, accompanied by the loss of some of their people to other areas-usually young people. Only 353 rural counties, or 15 percent of the total, had enough economic development to absorb all of their natural population increase and possibly attract migrants from elsewhere.

In this latter group, the most important single influence producing growth was physical proximity to a metropolitan area, permitting commuting by rural people into the area or the expansion of metro activities and homes out into the countryside. Manufacturing was the second most common growth factor in the rapidly growing rural counties. However, expanded manufacturing - either alone or with some other activity-was able to offset agricultural losses and prevent net outmigration of people in only about 6 percent of all rural counties. Military expansion was the third most frequent rural growth factor, followed by growth of institutions (such as colleges, hospitals, and prisons) and recreation or retirement activities.

Ratio of males to females.--Rural people have several distinguishing features as a population group. For one thing, there are fewer age groups in the rural population than in the urban that have a large imbalance between the number of males and females. Secondly, the direction of the imbalance differs. Rural areas still have somewhat more males than females, in contrast to cities and suburbs where women are in the majority at all ages above 15. One of the principal reasons for the retention of men in the rural population is the fact that many of the most common rural industries - such as farming, mining, logging and milling, and military work - employ relatively few women compared with urban-centered industries. But, even among young children under 15 years old the ratio of males to females is higher in rural areas than in urban areas, a condition for which we have no adequate explanation.

Fertility.--Another feature of the rural population is its high fertility. The sharp increase in marriage and child bearing among city people in the last 20 years has greatly narrowed the gap between urban and rural fertility, but has by no means closed it. Consider the case of women 35 to 44 years old in 1960, a group that bore most its children during the war and post war period and that is now within five or six percent of having completed its childbearing. Urban women in this group are having an average completed fertility of 240 children per 100 women, whereas rural women are having an average of 310 children per 100 women. Allowing for children who are born but fail to survive through the childbearing years, about 220 children per 100 women are necessary for population replacement. Comparing this quota with completed fertility, the urban women can be said to have borne children at a rate about 10 percent above the replacement level. The rural women, on the other hand, have had 40 percent more children than needed for replacement. Among rural-farm women this excess is more than 55 percent. Needless to say, such a differential has considerable impact on the economic and educational problems of rural areas.

We have had a movement of people out of rural areas, especially from farming areas. But, unless rural job opportunities expand, this migration



Table 2.--Males per 100 Females, by Residence, 1960

Age	Total	Urban	Rural Nonfarm	Rural Farm
All ages	97.0	94.0	103.3	107.2
Under 15 years	103.6	102.9	104.8	106.0
15 to 19 years	101.7	95.1	114.2	120.0
20 to 24 years	95.7	89.2	113.4	118.5
25 to 34 years	95.9	95.1	99.1	93.7
35 to 44 years	95.2	93.4	101.4	95.6
45 to 54 years	96.7	93.3	104.6	107.6
55 to 64 years	93.0	89.1	99.0	113.9
65 years and over	82.1	75.7	93.5	117.3

Source: U. S. Census of Population: 1960. United States Summary, Table 65.

will not permanently resolve the surplus of labor emanating from rural areas. Because of the relatively high level of child bearing by rural families there will be about 177 rural boys reaching age 18 during the 1960's for every 100 older rural men who are expected to vacate existing jobs through death or retirement. Unlike the urban population during the depression of the 1930's rural families have not reduced their rate of childbearing as one means of adjusting to the economic difficulties that most rural areas have had in the last decade.

Age and migration.--The total rural population does not vary greatly from the urban population in its age distribution except for a somewhat higher proportion of children and somewhat lower proportion of adults of working age. The rural-farm population differs greatly in age composition from either the urban or rural-nonfarm groups. The farm population has a heavy base of children up to age 18, then a very small young adult group 18-34, with the bulk of the adult population being middle-aged. The largest 5-year age group of farm people consists of those 45-49 years old. Farm people 60-69 years old actually outnumber those who are 20-29. (By contrast, persons 20-29 outnumber those 60-69 by 80 percent in the rural-nonfarm population and by 65 percent in the urban population). The curious age structure of the farm population is the product of the heavy outmigration of young adults is over the last 20 years.

The departure of young farm people has been so heavy that the number of births in the farm population is now declining due to the shortage of potential young parents. In fact, in some rural counties the number of births occurring has recently fallen below the number of deaths. In 1959 there were 33 counties in the United States having more deaths than births. In none of them had there been an excess of deaths in 1950 at the beginning of the decade. Most of the affected counties are in the Corn Belt or in Texas. The fact that they have more deaths than births may be transitory and later reversed when the current phase of agricultural adjustment is more nearly complete and the age composition becomes more normal. An excess of deaths is not likely to appear in the majority

Table 3.--Percent Distribution of U. S. Population  
by Age, by Residence, 1960

Age	Total	Urban	Rural Nonfarm	Rural Farm
All ages	100.0	100.0	100.0	100.0
Under 5 years	11.3	11.2	12.1	9.9
5 to 9 years	10.4	10.0	11.3	11.0
10 to 14 years	9.4	8.8	10.3	11.6
15 to 19 years	7.4	7.0	8.0	9.4
20 to 29 years	12.1	12.5	12.2	8.4
30 to 44 years	20.1	20.7	19.0	17.0
45 to 64 years	20.3	20.6	18.1	23.3
65 years and over	9.1	9.1	8.9	9.3

Source: U. S. Census of Population: 1960. U. S. Summary, Table 65.

of rural counties, but its existence in even a few is symbolic of the scope and depth of the population changes that currently characterize many rural areas. As we have said earlier, the fertility of farm families of child-bearing age is relatively high. The natural decrease of population in the 33 counties mentioned results solely from the distorted age structure which finds the older generation, from which most deaths occur, being much larger than the young generation to which children are born.

During the 1950's, at least 70 percent of the net migration from farms consisted of young people under age 20 or who reached age 20 during the decade. From a demographic point of view, it is the failure to understand the extent and pattern of recent migration from the farm that constitutes a major defect in any proposal for the government to speed-up the movement of large additional numbers of workers out of agriculture, as a presumed means of improving the condition of such workers and of remaining farmers. The workers referred to in such proposals are those not presently making a good income from farming. What such proposals overlook is the fact that the bulk of all low-income farmers are middle-aged or older. In 1960, 70 percent of the farm operators who sold less than \$10,000 worth of products were 45 years old and over. (Only 53 percent of those selling \$10,000 worth or more had reached their 45th birthday). Thus an induced movement of low-income farmers would have to be primarily focused on farmers of middle age or older. Quite aside from the difficulty of providing re-employment opportunities for such people, they are not likely on the average to be interested in uprooting themselves at such a stage of life. In a recent study in Minnesota, H. W. Baumgartner found that among 15 variables assumed to be associated with the potential mobility of farmers "....age exerted a more pervasive influence than any other factor", with farmers over 45 having much less potential for mobility than did young farmers. Age was more important than income level, education, previous nonfarm work experience, size of farm, past mobility, family ties to farming, or any of the other variables examined.<sup>2/</sup>

<sup>2/</sup> Baumgartner, H. W., "Factors Associated with Potential Mobility Among Farmers". Report delivered at 1962 Annual Meeting of the Rural Sociological Society, Washington.



Today we simply no longer have large numbers of young men farming inadequate-sized farms. The age composition of farm people suggests strongly that the large-scale movement out of agriculture of entire families with able-bodied heads is largely finished. The present decline in farm population-and the prospective decline for at least the next 15 years - is due principally to the exodus of those young people recently out of school who leave before ever becoming farm operators, and, secondly, by the death or retirement of older people from small-to medium-scale farms whose farms are then either taken over by other operators for enlargement or else are removed from agriculture altogether.

Future total rural population.--In the area of the United States now classified as rural (farm and nonfarm combined), it can be said with assurance that the total population is increasing, and will continue to do so, for as urban places expand much of their growth takes place on land that is currently rural. This is quite different, however, from asserting that the rural population is now increasing, for the ultimate distinction between rural and urban is density of settlement. As rural territory becomes suburbanized the increased density changes the area's character and requires that the area and its residents be reclassified as urban. In 1960 there were about 17 million people living in urban territory that was officially rural 10 years earlier. The future size of the rural population, therefore, depends in part on decisions as to what territory to classify as rural or urban. Recently, the size of areas that are termed urban has increased because of expanded annexation policies by cities and because of changed conceptions of what type of unincorporated territory is urban in character. In 1950, suburbs were classified as urban if they had approximately 2,000 or more residents per square mile. In 1960, this criterion was lowered to 1,000 or more persons per square mile, with a consequent enlargement of the amount of area classed as urban. Such changes reflect the fact that to an increasing extent urban and rural borders have become blurred and there is often no obvious boundary line between a city and its rural fringe. Furthermore, the lengthened range of commuting and the suburban dispersal of business and industry have probably extended the size of the fringe areas in which the population is now thought of as urban in character.

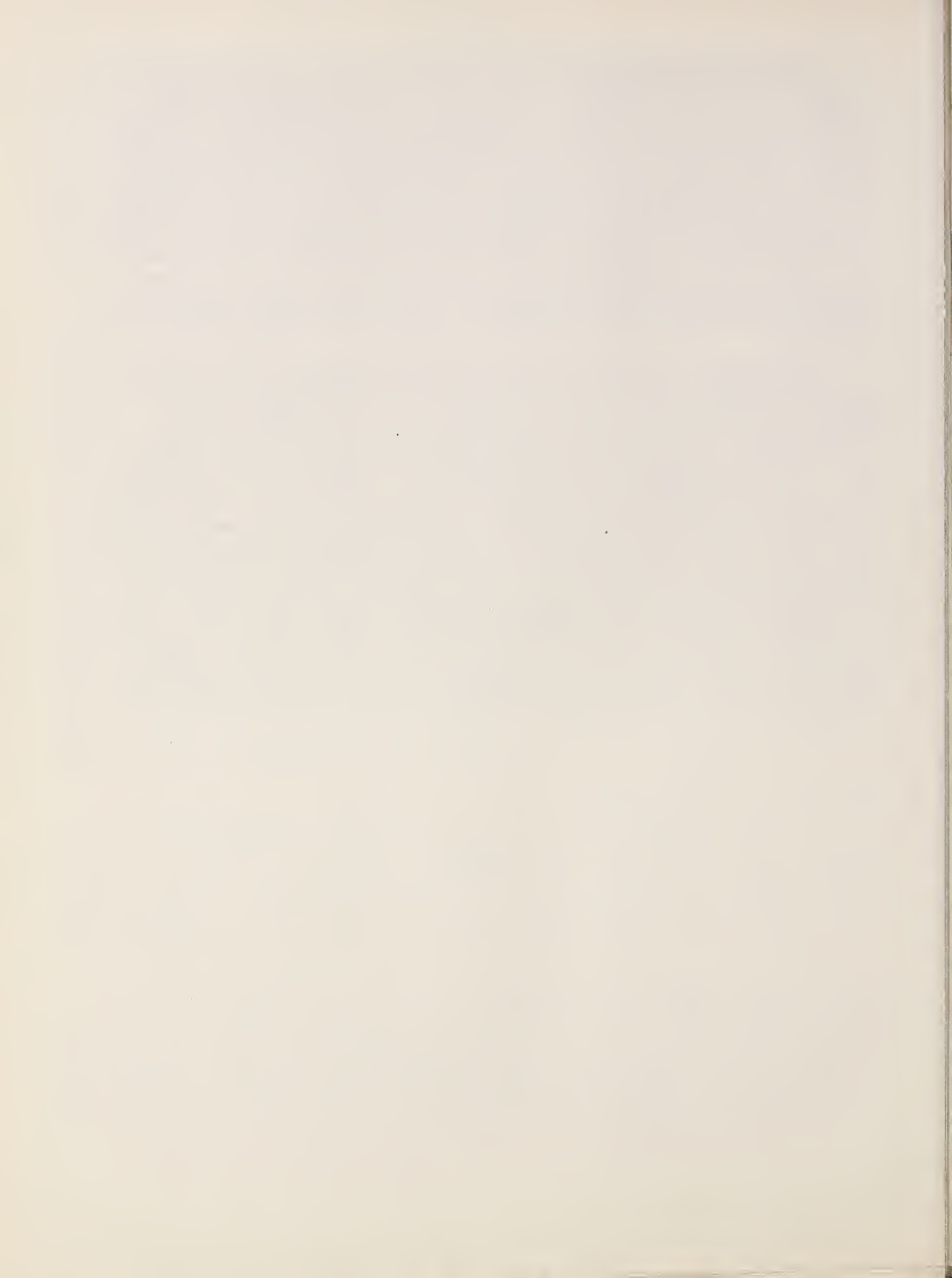
It would seem that nearly all of the net population gain that will accrue to present rural areas in the 1960's will be urban in character and will be reclassified as urban in 1970. (Such reclassifications are made only once per decade.) Within the territory that remains rural in both 1960 and 1970, losses in farm and mining areas are likely to offset most of the rural gains elsewhere. Barring changes in census procedures, the total rural population may be about 55 million in 1970. This would be the approximate result if the 1950-60 rural rates of change by counties were to persist in the 1960's.

By 1970, however, the foreseeable downward adjustments in the rural farm and mining populations will be so far advanced that further losses in those groups should be more than offset by growth in other types of rural population. Thus during the 1970-1980 decade, with these adjustments nearly completed, the rural population might rise to about 60 million. Even such a rise would represent a rate of growth less than half that expected in the Nation as a whole. Rural people would comprise about 22 percent of the Nation's total population.

Future farm population.--What proportion of the rural population will consist of farm people by 1980? There is no precise way of forecasting such a number for a population whose size will be primarily determined by the uncertain future pattern of farm adjustment and human migration. In 1950, the farm population was 42 percent of the rural total and by 1960 it had fallen to 29 percent. Since 1950, the size of farm population has been dropping at an average annual rate of about 4 percent. Such a loss cannot be expected to continue indefinitely, however, and farm population losses between the present and 1980 will probably not be as large either in rate or absolute amount as those that have occurred in the shorter period since 1950. This prospective slowing down in the changing relationship between the farm and nonfarm segments of the rural population suggests that by 1980 farm people may comprise between 15 and 20 percent of the total rural population.

Conclusion.--In the formative period of our history, our society was dominated by agrarian values that stemmed from the predominance of the agricultural population. These, as reflected in our national literature, were superseded in politics, in work relationships, and in standards of conduct by the urban value system that emerged with the rise of the cities. Today, with the central cities declining, suburban values are coming to the fore. The rural population, as defined statistically, is a residual after the urban and suburban elements have been identified. Yet for many administrative purposes it has a legal standing and the people who comprise it are treated as a common clientele with certain mutual interests. It will be interesting to observe in the future, as the agrarian element becomes an increasingly minor part of the rural total, whether the term "rural" will be a meaningful name for a reasonably common way of living and for a reasonably common set of social and economic problems, or whether "rural" areas will become so diverse or so closely linked to the larger society, that other terms to identify and describe the human ecology of these areas will develop.





UNITED STATES DEPARTMENT OF AGRICULTURE  
Agricultural Research Service

HOUSING, HOUSEHOLD FURNISHINGS, AND EQUIPMENT  
Current Price and Supply Situation; Outlook for 1963

Talk by Laura Mae Webb  
Consumer and Food Economics Research Division  
at the 40th Annual Agricultural Outlook Conference  
Washington, D.C., 9:15 A.M., Thursday, November 15, 1962

Prices of the various goods and services related to housing continued to advance slowly during the past year (0.9 percent) according to the Consumer Price Index and, although this rate of increase was greater than during the preceding year (0.5 percent), it was less than the rate of increase of the total Consumer Price Index (1.4 percent). <sup>1/</sup> However, prices of various goods and services included in this category moved at different rates and in opposite directions during the period. <sup>2/</sup>

Construction of housing remained high and the number of units started during the first 9 months of 1962 exceeded the number started during the similar period in 1961 by slightly more than 9 percent. Progress in the construction of housing specially designed for senior citizens in urban areas, and legislation passed by the recent Congress to provide Government assistance to the more rapid development of such housing in rural areas, is of especial interest to the approximately 21 million in our population that have reached or passed their 62nd birthdays and to those concerned either directly or indirectly with their welfare.

### Appliances, TV's, and Radios

Retail prices for electrical appliances, televisions, and radios continued their downward trend during the past year, experiencing their sharpest decline--3.7 percent--of any similar period since the mid-1950's. Although several large manufacturers of appliances announced about a year ago that they planned to raise their prices to distributors early in 1962, manufacturers' prices for most household appliances, televisions, and radios are now somewhat lower than they were at that time.

Production of appliances in 1962 was higher in each month through August, the latest date for which data are available, than in the corresponding month in 1961. Production of televisions and radios through May 1962 was substantially higher than for the same period in 1961, but fell somewhat below year earlier levels in June through September 1962. Retail sales in household appliance, television and radio stores were fractionally higher in September than a year earlier, but the total for the first 9 months of 1962 were about 1 percent lower than in the similar period in 1961.

---

<sup>1/</sup> Unless otherwise noted, "past year" price comparisons refer to September 1961-September 1962.

<sup>2/</sup> Throughout this paper the term "retail prices" refers to the BLS Consumer Price Index and "manufacturers' prices" to the BLS Wholesale Price Index.

According to trade reports, several large manufacturers of electrical appliances are endeavoring to improve their profit situation in the face of higher costs and lower prices by reducing the number of models and colors produced. Many large retailers are reported to be introducing, or devoting more sales promotion to, electrical appliances carrying their own private labels in an effort to maintain their profit margins. This trend is attributed to their ability to maintain their traditional markup by selling private label merchandise at about the same price level as that at which discount houses offer the nationally advertised merchandise. Private label merchandise, often produced by manufacturers of the nationally advertised brands, can be obtained at a lower cost by the retailer since the private label merchandise does not have to bear any of the manufacturers' cost of national advertising and other sales promotion costs. However, since manufacturers generally will not produce private label merchandise except on large orders, this method of competing with discount houses is available only to large retailers.

Many leading manufacturers of household equipment have recently discontinued the practice of indicating a "suggested retail price" for their products. Although there was some indication that there was already a trend in this direction, recent rulings of the Federal Trade Commission relative to the advertising of suggested retail prices no doubt hastened the discontinuance of this practice. The gist of these recent Federal Trade Commission rulings is: the use of a suggested retail price in preticketing, catalog insert sheets, price lists, or advertisements is false and misleading if, in fact, the suggested retail price is in excess of the price at which the merchandise is usually sold at retail in that trade area.

Relative to new types of appliances, one large company has announced that it will introduce a thermoelectric refrigerator for household use on the retail market late in 1962. Dr. McCracken told us at Outlook in 1959 that small thermoelectric installations had proven feasible. At that time the principle had been applied primarily to research and in Armed Forces installations. In 1961 units similar to the one to be introduced on the retail market this fall were installed in 500 rooms of a large hotel in Chicago. Dr. McCracken suggested the possibility that, since the adaptation of thermoelectric units to equipment the size of our currently popular household refrigerators seemed remote, the adoption of this principle to household units might lead to the use of several small refrigerators placed in different locations of the house. The model to be introduced soon is intended for such use. It is described by the manufacturer as requiring about one-third the space of a conventional 12 cubic foot refrigerator. It is a console style with walnut-grained vinyl exterior and is intended for use in a living room or recreation room. One of the outstanding features of the thermoelectric refrigerator from the homemaker's point of view is that, since it has no moving parts, it does not present the customary servicing problems of a conventional unit.

As the result of a law passed in the last session of Congress, all televisions manufactured for shipment in interstate commerce or imported into this country after a date to be specified by the Federal Communications Commission must be capable of receiving all 82 channels that have been allocated to television in the U.S., and must comply with certain minimum standards relative to noise and peak picture sensitivity. It is expected



that the equipping of all new sets to receive ultra-high-frequency TV channels 14 through 83, as well as the more usual very-high-frequency channels 2 through 13, will encourage the expansion of educational TV. Educational outlets apparently have hesitated to use UHF channels to any great extent because of the relatively small proportion of TV sets equipped to receive programs on these frequencies. On the other hand, in many areas there is very little room left for TV expansion on VHF channels.

The FCC, after consulting with various industries involved in the production and distribution problems associated with the required changes, has proposed that these new regulations shall become effective April 30, 1964. All comments on this proposed date were to have been submitted to FCC by November 1 so that it is expected that the official "cutoff" date on shipment of the more limited receiving sets will be announced shortly. If April 30, 1964 is the designated date, it is expected that the 1965 models--to be introduced on the retail market about June 1964--will be all-channel sets. However, it is expected that there will be a significant increase in the proportion of all-channel sets produced in the interim--probably 20 percent or more of total production, as compared with 5 percent of the sets manufactured in the first 6 months of 1961 and 8 percent in the first 6 months of 1962.

#### Furniture and Rugs

Retail prices of furniture advanced fractionally during the past year (0.4 percent), while manufacturers' prices increased 2.0 percent for wooden furniture and 1.6 percent for upholstered furniture. Some of the advance at the manufacturers' level occurred in mid-summer; the full extent of these advances may not have been reflected in the retail prices by September. Retail sales in furniture and homefurnishings stores for each of the 9 months January through September 1962 exceeded those for the comparable month in 1961 and the 1962 cumulative total for the period exceeded that of 1961 by slightly more than 7 percent.

Statistics on shipments of "room-size" tufted carpets and rugs (those larger than 4' x 6' and roll goods) for 1961 and the first half of 1962 indicate the extent to which tufted rugs are increasing in popularity at the expense of woven rugs. Since the development in the early 1950's of machines capable of producing tufted rugs in a wide variety of sizes and styles, production of this type has grown rapidly, and for 1961 it is estimated that 75 percent of the room-size rugs (square yard basis) shipped by domestic manufacturers were tufted varieties and only 25 percent the conventional woven types. In 1954, comparable figures were 31 percent tufted and 69 percent woven. This increasing popularity of tufted rugs has no doubt resulted in part from the availability of such rugs in lower price ranges than those in which woven rugs are available. Some of this difference in price is reported to be occasioned by lower production costs on the tufting machines, but much of the difference is due to greater use of lower cost fibers in tufted rugs. In 1958, only about 22 percent of the tufted rugs shipped, as compared with 90 percent of the woven rugs, were wool or chiefly wool. While acetate and rayon still account for a larger share of the tufted rug production than any other fiber, the use of textured filament nylon yarns is apparently increasing and the use of acetate and rayon decreasing. The latter fibers accounted for 45 percent of the production of tufted rugs in 1958. According to trade reports,



consumption of acetate and rayon had declined to about 32 percent in 1961 while the use of nylon has increased to about 25 percent, with some decline in the relative use of cotton and wool. 3/

During this period of increasing popularity of tufted rugs, shipments of domestic woven rugs have declined sharply. About 76 million square yards of domestic woven rugs were shipped in 1947, about 44 million in 1961-- a decline of 42 percent. For several years manufacturers of woven rugs in this country have been faced with increasing competition from imported woven rugs. In 1958, 4.7 million square yards of machine woven rugs were imported as compared with shipments of 51.4 million square yards of domestic manufacture; in 1961 the figures were 8.5 and 44.1. Earlier this year, the U.S. Tariff Commission reported that the imports of machine-woven velvet and Wilton rugs were causing undue hardship to domestic manufacturers of these items. Accordingly, duty on these types of imported rugs was increased from 21 percent to 40 percent ad valorem, effective June 17, 1962. As of September, this action had not increased prices of domestic rugs at the manufacturing level.

## Housing

### Urban residential rental units

During the past year, charges for residential rental units in urban areas increased 1.1 percent; thus the past year has witnessed a further slowing in the rate of increase. The rate of increase in the same period 2 years earlier was 1.5 percent and 1 year earlier 1.4 percent.

The third quarter 1962 vacancy rate of 7.3 percent for residential rental units, when compared with 7.9 percent for the third quarter of 1961, provides evidence of a slight decrease in vacant units. The third quarter 1962 rental vacancy rate ranged from 3.8 percent in the Northeast to 9.0 percent in the West. In the North Central area it was 8.2 percent, in the South 8.9.

Trade reports indicate higher vacancy rates in apartments, especially those of a "luxury" type, in some cities. These reports seldom refer to reductions in rental charges, but concessions such as a "rent free" period in conjunction with a long-term lease, color TV in furnished apartments, or free transportation to and from the apartment development during the rush hours have been reported from several cities.

### Construction and sales

Total housing starts (farm and nonfarm) were higher every month from March through August 1962 than in the corresponding month of 1961, according to Department of Commerce estimates, but in September 1962

---

3/ Textile Organon, July 1962, pp. 137-138.

fell below year earlier levels. For the first 9 months of this year they totaled slightly more than 9 percent higher than during the similar period last year.

A new statistical series, "Sales of New One-Family Homes" (a joint release of the Bureau of the Census, U.S. Department of Commerce, and the Housing and Home Finance Agency) shows that of the total housing starts during the first 6 months of 1962, 66 percent were private, nonfarm, one-family homes; nearly two-thirds were built for sale. Of the new nonfarm one-family homes sold during the first quarter of 1962, 44 percent were financed by conventional type mortgages, 27 by Federal Housing Administration insured mortgages, and 16 percent by Veterans Administration insured mortgages. For only 5 percent of these sales was there no mortgage financing involved; for 8 percent of the transactions the method of financing was not reported. The importance of knowing the various methods of financing home purchase available to families and of developing good family financial practices in order to meet the recurring financial obligations resulting from buying is indicated by figures from the 1960 Census of Housing that report that 57 percent of the nation's owner-occupied homes were mortgaged as of April 1960 compared with 44 percent in April 1950.

Probably many of the families who are purchasing a home for the first time assume that their immediate financial problems relating to the purchase of the new home have been taken care of when arrangements have been made for making the downpayment and financing the mortgage. But the various payments associated with the transfer of the property, such as cost of title search, recording title policy, and settlement fees, may cost several hundred dollars on a moderate-priced home; the average family needs to make plans for meeting these costs. These costs vary by area and by sale price. Table I shows charges for the various items included in closing costs as reported in a recent Federal Housing Administration survey. (See page 15.)

When we speak of buying a home most of us think in terms of a single family home although we realize that owner-occupancy is not restricted to one-unit structures. For example, those of us who live in large metropolitan areas are aware of the growing importance of cooperative ownership of apartments. But a method of acquiring individually owned units in multifamily structures--called condominium--is attracting considerable attention as a result of provisions in the Housing Act of 1961 that authorized the Federal Housing Administration to insure such mortgages for units located in jurisdictions that recognize the division of ownership on a condominium basis. In condominium ownership a person owns, separately, one or more single dwelling units in a multiunit development and has an undivided interest with owners of the other apartments in common areas and facilities serving the building. To qualify for mortgage insurance under the FHA program, the development must have at least five family units but they may be located in one or more structures containing two or more units. The structures may be semidetached, row type, garden type, or high rise. Condominium ownership differs from cooperative ownership in several important ways:

1. In condominiums the individuals take title to their units; in cooperatives, individuals own stock in the cooperative and have the right to occupy a specific unit.



2. Individuals are taxed separately on their units and on their undivided interest in the common areas under condominium ownership; in cooperatives, individuals pay a share of the taxes for the entire project.
3. In condominiums, the individual is responsible only for the mortgage involving his own property and can arrange his own financing; his right to sell or lease his unit or units is customarily less restricted than that under a cooperative arrangement.
4. Individuals vote on a proportionate basis under condominium ownership; under cooperative ownership each individual has one vote regardless of the size of his unit.

The concept of condominium ownership is relatively new to the United States, but it has been used for some time in several European and Latin American countries. Although only a few States now have laws specifically authorizing condominium ownership, it apparently is permissible under existing statutes in several other States. Other States are considering legislation to specifically authorize condominium sales.

#### Housing for Senior Citizens

One of the most important developments in housing in the last few years has been the acceleration in the construction of housing specifically designed to meet the needs of our senior citizens. Most of the progress to date can be attributed to the Housing and Home Finance Agency's several programs relating to housing for this population group. The Senior Citizens Housing Act of 1962, passed by the last session of Congress, provides new programs for senior citizen housing in rural farm and nonfarm areas to be administered by the Farmers Home Administration of the U.S. Department of Agriculture, and increased the authorization in the direct loan program for senior citizen housing under HHFA.

#### What is meant by "senior citizen housing"

No generally accepted lower age limit seems to apply to the term "senior citizen," "the elderly," "the aged," or "the oldster" in the literature on their housing needs. Some of the statistics bearing on this subject relate to persons "60 years of age and over" while some relate to "persons over 65"; the Federal Government's housing program for senior citizens applies to persons 62 years of age or older. Whatever the term or lower age limit used, however, it seems to be meant to apply to persons of an age that, for the average, a rather noticeable reduction in physical strength has occurred. Retirement is not a qualification for occupancy of such housing, although, of course, many--perhaps most--of the occupants are retired.

Before describing the Federal Government's programs designed to assist in providing appropriate housing for the older age groups and accomplishments under these programs, it might be helpful to consider what some of the

important differences are between housing needs for the elderly and those for the younger age groups. Briefly, these differing requirements can be attributed for the most part to the fact that, for the average person, advancing years bring reduced income, increasing physical disabilities, reduction in family size and the loss of many social and civic contacts, some of which were associated with employment.

Increasing physical disabilities may make it desirable to dispose of a home because it requires too much do-it-yourself maintenance, too much stair climbing, or because the installation of facilities especially needed by older persons, such as automatic heat, is not feasible. For those with more serious physical disabilities the availability of meal service, or even nursing care, may be required. Relatively high maintenance costs on a large house purchased for an active and growing family, or high rentals charged for such quarters, may represent too much of a drain on retirement income. Accessibility to public transportation, and medical and shopping facilities becomes increasingly important as the elderly become less able, or unable, to drive their automobiles. Social isolation occasioned by the death of a spouse or friends, or withdrawal from activities associated with employment, make it desirable that there be planned recreational facilities nearby, and, for those physically able, ample opportunity and encouragement to enter into civic and other volunteer-service activities, and even employment.

#### Housing arrangements of senior citizens in 1960

What do we know about the housing arrangements of the elderly before this program to meet their special needs was accelerated? We can gain some insight into this situation by studying data relating to the housing of persons 60 years of age and older in April 1960. A special tabulation of Bureau of the Census data for the Housing and Home Finance Agency provides information on their housing arrangements, the quality of the housing they occupied, and their incomes. 4/

In 1960 about 95 percent of our population 60 years of age and over lived in households; the remainder lived in group quarters such as lodging houses, hotels, and institutions. Of the 22.2 million living in households, approximately 84 percent lived in households in which a person 60 years of age was the head or wife of the head.

Housing units occupied by households whose heads were 60 or over constituted 25 percent of all occupied housing units in the United States in April 1960. Nearly 70 percent of these households owned their living quarters, as compared with 60 percent for households whose heads were under 60. But about 17 percent of households headed by persons over 60 lived in owned units characterized as substandard in that they lacked one or more plumbing facilities (private inside toilet, private bath or shower, hot running water) or were dilapidated, as compared with 10 percent of the

---

4/ "Senior Citizens and How They Live. Part I: The National Scene" Housing and Home Finance Agency, July 1962.



owned units occupied by families with heads under 60. Among renters, 29 percent of the units occupied by the older group were substandard, compared with about 23 percent of those occupied by younger families.

While many of the oldsters lived in substandard units, few lived in crowded quarters. Only about 3 percent of the households with heads 60 years of age or older had more than 1 person per room--a generally accepted criterion for crowded--whereas about 15 percent of all units occupied by households whose heads are under 60 were that crowded.

Although we have no direct measure of the number of individuals 60 years of age and older living in three generation households, statistics indicate that the number was less than many might have expected. Sixty-six percent lived in 1 or 2 person households; 39 percent lived in households consisting of husband and wife only.

Number of persons 60 years old and over by number of persons in household  
April 1960 5/

Living arrangement	Number (000)	Percent
Persons in households .....	22,237	100
In households consisting of:		
1 person .....	3,755	17
2 persons .....	10,943	49
Husband and wife .....	8,746	39
Others .....	2,197	10
3 persons .....	3,799	17
4 or more persons .....	3,741	17

5/ Ibid, table 2.

For the most part, only households containing 4 or more persons--households representing the living arrangements of 17 percent of those 60 years of age or older who lived in households--could have included three generations, since it was reported that most of the 3-person households contained a couple.

Lack of resources is generally accepted as being the major obstacle to older persons acquiring improved housing. Some older families, of course, have sizeable assets, often including an owned home. We do not, however, have any comprehensive picture of the assets owned by this population group, but we do know that their incomes average substantially below those in younger age groups. The median money income in 1960 of all families of two or more persons with the head 65 years or over was \$2,897; that of younger families, \$5,905. Of the 3.6 million single elderly (65 and over) who lived alone or with unrelated individuals,

approximately 1 million were men whose 1960 median annual income was \$1,313 and 2.6 million were women whose 1960 median annual income was \$960. <sup>6/</sup> Providing adequate housing for many in this group presents an especially challenging problem.

### Housing and Home Finance Agency's programs

This agency has three major programs for assisting in the providing of suitable housing for senior citizens. Although the types of financial assistance provided under these three programs are quite different, there are several underlying assumptions relative to the type of housing to be provided that are common to the three programs. These assumptions are: (1) the housing unit shall provide for a continuation of active and independent, not bed-ridden, life; (2) nursing-home care, when needed, will be provided elsewhere than in the housing project; (3) specially designed construction features that can help overcome some of the physical limitations of advancing age shall be provided in the housing unit; and (4) recreational and other activities will be provided for the most part outside these projects. <sup>7/</sup>

The three programs of HHFA provide different types of assistance for financing housing for the elderly in recognition of the wide variation in the abilities of our senior citizens to pay for suitable housing. For the lowest income group there is the program of special aids to local housing authorities for construction and operation of public housing for the elderly. To meet the needs of older persons whose incomes are too high for public housing but too low to afford suitable housing provided by the private housing market, there is a program of direct loans for rental housing sponsored by nonprofit corporations, consumer cooperatives, and certain public groups. For the upper income group, the program of mortgage insurance is designed to protect private lenders against losses on funds advanced for the construction of multiunit projects for the elderly, or for purchase of dwellings by individual elderly families.

Briefly, these three programs are:

1. Public housing

Many low-income elderly families have been served by the public housing program since its inauguration 25 years ago. Public housing is subsidized by the Federal Government through its assumption of deficits incurred by local housing authorities. The subsidies make up that part of the annual principal and interest that is not covered by rental income. Amendments to the public housing program within the past few years provide

---

<sup>6/</sup> Incomes of Families and Persons in the United States: 1960. Bureau of the Census, Series P-60, No. 37, tables D and F.

<sup>7/</sup> "Financing Non-Profit Housing for Older People." A paper prepared by Sidney H. Woolner, Commissioner, Community Facilities Administration, HHFA, for a meeting of The National Council on Aging, at Glenwood Springs, Colorado, July 1962.



avored treatment for senior citizens in several ways: (1) Higher cost limits per room are permitted in units designed for the elderly (these specially designed units may be in separate public housing projects for the elderly, or may be in a part of a project designed for all age groups); (2) The Federal Government is permitted to pay an additional \$10 per month subsidy to local authorities for units occupied by senior citizens where necessary to enable a local authority to lease to older persons at rentals they can afford and still operate the project on a solvent basis; and (3) Single persons 62 years of age or older are eligible for occupancy of public housing units; single persons in younger age groups are not eligible.

## 2. Direct loans for rental housing

The Administrator of HHFA is authorized to make loans directly to private nonprofit organizations, consumer co-operatives, and certain public agencies to provide suitable housing for senior citizens whose incomes are too high for public housing but not high enough to meet the cost of good housing on the conventional, completely private market. Loans under this program may run as long as 50 years and the current interest rate on these loans is  $3\frac{1}{2}$  percent.

## 3. Mortgage insurance

### (a) Rental housing

The FHA is authorized to insure private lending institutions against losses on mortgages used to finance the construction or rehabilitation of multiple unit structures that contain eight or more units of which at least 50 percent are especially designed for occupancy by older persons.

Government funds are not provided for either the construction or rehabilitation of these projects, but there are limitations on the size of the mortgage and the maximum loan ratio that the FHA will insure, depending on the kind of sponsorship (public or private), the type of structure and size of dwelling units, and whether or not the project is in a locale designated as a high-cost area. Also, in order to reduce the possibility that the Government will have to assume responsibility for a mortgage that it has insured, sponsors of such projects must provide evidence that there is sufficient demand for the type of housing proposed. The sponsor must be able to demonstrate that it possesses sufficient income, or income-producing assets, to reasonably assure the payment of debt and operating expenses for the life of the mortgage.

Eighty-five percent of the sponsors under this program have been nonprofit organizations: 57 percent church groups; 19 percent fraternal, labor, employer or similar groups; and 9 percent local groups forming nonprofit corporations for the specific purpose of sponsoring housing for the elderly.

The range in the type of housing and facilities permitted under this program is greater than under the other programs. This is accounted for in part by the fact that taxpayers' funds are not used in the construction of such projects and in part because they are designed for persons who can afford more facilities if they desire them. Some of the projects provide housing only; others include hobby shops, social rooms, and health units. Others are even more inclusive and include common dining rooms, cafeterias, infirmaries, and various recreational facilities.

Nonprofit organizations sponsoring projects under this program are permitted to charge the residents founders' fees under certain circumstances. 8/ This is the only federally assisted housing program for the elderly in which founders' fees may be charged; profit-motivated sponsors are not permitted to charge such fees. In some cases founders' fees are charged to meet the cost of construction in excess of the amount for which the particular type of project is eligible for Government mortgage insurance; such extra costs may have been incurred to provide facilities not eligible for financing under the Government program (e.g., infirmary). Or founders' fees may be used so that a smaller mortgage debt will be required and thus make reduced rents possible. If the sponsor uses founders' fees to assure the donor of lifetime care in the project, appropriate safeguards and restrictions are placed upon the mortgagors to protect the residents paying founders' fees, as well as the liability assumed by FHA.

---

8/ The founder's fee--usually a rather substantial amount--is required as a condition of occupancy. There is considerable variation between different projects in the rights conferred upon payment of this fee but it usually gives the payor the right to occupy a unit, under stated conditions, as long as he lives, but does not give him the right to rent or sell the unit to anyone else, nor is any part of the fee normally refunded to the heirs upon the occupants death. Regular subsequent payments--monthly or annually--are usually required in addition to the founder's fee.



(b) Sales housing to the elderly

FHA is authorized to insure a private lender against loss on a mortgage up to \$25,000 for a single-family dwelling purchased by an elderly person, even if the downpayment is made by a relative, a friend, or a corporation. In addition, if the purchaser is unable to qualify as an acceptable mortgage risk, FHA is authorized to insure the loan if an acceptable third party becomes a cosignor of the mortgage. The mortgage may be for a period as long as 35 years for a new home and 30 years for an existing home. The current rate of interest is  $5\frac{1}{4}$  percent, plus  $\frac{1}{2}$  percent mortgage insurance premium.

Farmers Home Administration's program

The establishment of special housing aids to the elderly under FHA by the recent Congress reflects the opinion of Congress that the housing needs of the elderly in rural farm and rural nonfarm areas are not being met rapidly enough under the HHFA programs. The programs for assisting in the construction of senior citizen housing by the latter agency were not, and are not now, limited by law to the urban areas; nevertheless, little progress has been made in providing housing for the elderly in rural areas under this program. It is expected that more rapid progress will be made by FHA because of its county office system, familiarity with housing needs in rural areas, and association with personnel working with low-income rural families.

The types of assistance to be provided by this USDA agency are:

1. Mortgage insurance for rental housing.

This program will be similar to the HHFA insurance program (3a) and is designed to assist in providing housing for the elderly whose incomes are sufficient to meet rental payments for housing financed with credit at market rates. Capital for such construction will be provided by private lenders and FHA will insure these lenders against losses on loans made for such construction.

2. Direct loans for rental housing.

This program will be similar to the HHFA (2) program, and will provide low-interest, direct loans to private nonprofit corporations and consumer cooperatives to provide housing for the elderly whose incomes are not high enough to meet the cost of housing provided by private capital.

3. Direct loans to elderly families.

This type of aid is not found in the HHFA program. The FHA has had authority to make housing loans for the construction of new homes on farms and in rural nonfarm areas to rural area

residents who can not secure credit for housing from conventional sources under reasonable terms and conditions, but who can qualify as a reasonable credit risk. The new law provides three special advantages to the elderly who can qualify for direct loans under this existing program:

- (a) The elderly will be permitted to buy previously occupied homes as well as build new homes for their own use.
- (b) In the case of elderly applicants who are deficient in repayment ability, any person with adequate repayment ability may be a cosignor.
- (c) The elderly may finance the cost of both the land and the dwelling with loan proceeds--younger persons must own their lot before they can apply for the loan.

Programs especially beneficial, but not limited, to senior citizens.

## 1. Nursing homes

The Federal Housing Administration is authorized to insure private lenders against losses on mortgages used for financing qualified new or rehabilitated proprietary nursing homes. Admittance to such homes is not limited to the elderly, so it is not, strictly speaking, a part of the senior citizen housing program. But because older persons make up by far the greatest proportion of patients in nursing homes, it seems appropriate to include it in a discussion of the housing needs of the elderly.

Homes under this program are privately owned, and each project must include a minimum of 20 nursing beds. The facilities are for patients who are not acutely ill and do not need hospital care, but who require skilled nursing care and related services. FHA cannot insure a mortgage for a nursing home unless it has received from the appropriate State agency a certificate indicating the facility is needed and that reasonable minimum standards for licensing and operating such establishments are in force in the area in which the home is to be located.

The amount of the insured mortgage cannot exceed \$12.5 million, with a maximum loan value ratio of 90 percent. The maximum amortization period of the loan is 20 years; the interest rate on such loans is currently  $5\frac{1}{4}$  percent, plus  $\frac{1}{2}$  percent mortgage insurance premium.

## 2. Farmers Home Administration loans for home improvements

The Senior Citizens Housing Act of 1962 authorizes FHA to increase from \$500 to \$1,000 the loan that low-income families in rural areas may obtain for making improvements in their homes that are necessary to insure the health and safety of the occupants or the community. Only families whose incomes are so low that they cannot qualify for loans from conventional sources are eligible for the FHA loans. It is expected that this higher ceiling on such loans will be especially beneficial to elderly applicants.

## Outlook

The current situation indicates that there will be ample supplies of housefurnishings and equipment during the coming year with prices remaining at about present levels.

Private housing starts, though somewhat lower in the third quarter of this year than in the second, totaled higher for the first 9 months this year than for the corresponding period last year. There are indications that the 1963 level may be somewhat below that of 1962, but there should be no difficulty in meeting the demand for new units in 1963 in view of the availability of adequate supplies of construction materials and of credit at terms favorable to buyers.

Construction of housing for the elderly during the next few years is expected to exceed that of the past few years as a result of the additional Federal assistance provided in the Senior Citizens Housing Act of 1962 and the emphasis placed on the need for even further expansion of the program by the Report of the Senate Subcommittee on Housing for the Elderly. Consequently, persons now approaching 62 can look forward to increased availability of suitable housing for their senior years--housing that will sustain their ability to live independently for as long as possible, and will encourage continuing meaningful contributions to community life and to society.



Table I.--Average and range of individual items on mortgages on 1-family new and existing homes insured by Federal Housing Administration under section 203 in selected areas, October 1-20, 1961

Locality 1/	Individual items included in closing costs																		Other 4/	
	FHA examination fee	Mortgagee's initial service fee	Mortgagee's appraisal fee	Credit reports	Survey	Photographs	Title search	Title insurance	Title abstract	Preparation of deed and documents	Attorney's fees	Mortgage tax	Revenue stamps	Title transfer tax	Closing fee	Notary fees	Recording fees	Broker's commission		Adjusted interest
Cost (dollars)																				
FHA Zone I																				
Jamaica, N.Y.	27	147	19	5	52	64	87	2/	33	106	2/	73	2/	3/	3/	3/	13	3/	9	
Average .....	10-105	45-225	10-40	3-15	10-85	8-170	18-158		20-35	20-206	2/	23-113		3/	3/	3/	4-26	3/	3-65	
Range .....																				
Burlington, Vt.	21	2/	3/	3/	3/	3/	3/	3/	3/	48	3/	3/	3/	3/	3/	3/	9	3/	3/	
Average .....	20-45	2/	3/	3/	3/	3/	3/	3/	3/	35-60	3/	3/	3/	3/	3/	3/	8-11	3/	3/	
Range .....																				
FHA Zone II																				
Newark, N.J.	21	152	22	5	45	191	79	28	38	205	167	3/	3/	3/	100	3/	15	3/	26	
Average .....	20-40	76-225	20-45	5-6	5-65	10-360	45-130	15-42	20-40	25-486	100-300	3/	3/	3/	25-225	3/	10-33	3/	2-72	
Range .....																				
Wilmington, Del.	20	100	5	7	30	4	28	3/	20	3/	3/	3/	3/	3/	20	3	13	3/	15	
Average .....	20-20	68-153	5-5	4-15	25-35	2-5	21-45	3/	10-70	3/	3/	3/	3/	3/	15-20	1-4	10-20	3/	3-34	
Range .....																			8	
																			5-10	
FHA Zone III																				
Knoxville, Tenn.	28	107	3/	5	26	3	62	3/	3	25	112	3/	10	3/	21	3/	36	3/	4	
Average .....	20-85	57-196	3/	3-13	15-40	2-3	10-97	3/	10-10	10-60	29-307	3/	4-15	3/	20-25	3/	23-74	3/	2-7	
Range .....																			113-225	
Columbia, S.C.	20	103	3/	6	34	3/	28	3/	3/	103	3/	3/	4	3/	3/	3/	5	3/	18	
Average .....	20-20	64-147	3/	5-10	26-35	3/	19-39	3/	3/	64-147	3/	3/	3-6	3/	3/	3/	2-5	3/	1-55	
Range .....																				
FHA Zone IV																				
Grand Rapids, Mich.	26	130	18	5	31	4	73	2/	3/	3/	77	2/	3/	20	2/	3/	8	691	33	
Average .....	20-65	85-185	8-20	3-14	20-70	1-6	33-116	2/	3/	3/	17-205	2/	3/	12-41	2/	3/	3-11	130-1335	3-122	
Range .....																				
Indianapolis, Ind.	20	124	20	5	13	4	47	10	18	19	33	16	2/	3/	30	3/	12	124	26	
Average .....	20-25	40-222	4-31	3-10	10-25	3-10	25-67	3-26	15-20	10-35	25-40	11-30	2/	3/	25-35	3/	11-15	59-182	3-66	
Range .....																			17	
																			5-37	
FHA Zone V																				
St. Louis, Mo.	20	134	3/	4	33	4	53	71	3/	3/	3/	3/	3/	3/	30	2	15	145	18	
Average .....	20-20	73-225	3/	2-11	5-50	1-7	15-153	30-110	3/	3/	3/	3/	3/	3/	25-35	1-4	1-32	95-320	1-73	
Range .....																				
Houston, Texas	18	106	2/	6	20	5	23	6	18	3/	5	3/	3/	3	3/	3/	13	3/	6	
Average .....	11-20	5-225	2/	3-11	5-30	3-8	3-133	6-6	3-35	3/	2-15	3/	3/	3-4	3/	3/	2-31	3/	3-16	
Range .....																				
FHA Zone VI																				
Reno, Nevada	22	193	2/	7	2/	18	81	3/	3/	3/	39	3/	2/	3/	3/	2	13	3/	54	
Average .....	20-40	105-500	2/	5-10	2/	8-40	18-178	3/	3/	3/	21-70	3/	2/	3/	3/	2-2	3-32	5-224	3/	
Range .....																				
Boise, Idaho	2/	122	3/	4	3/	3	27	3/	3/	3/	3/	3/	3/	3/	3/	3/	10	3/	16	
Average .....	2/	60-197	3/	3-13	3/	3-3	10-106	3/	3/	3/	3/	3/	3/	3/	3/	3/	9-15	3/	3-31	
Range .....																				

NOTE: These data were obtained by listing closing costs on all mortgages insured under section 203 by the reporting office during the period October 1-20, 1961. The insured mortgages ranged up to \$25,000. The average and range for each of the individual items of closing costs was based upon those cases which reported a charge for the particular individual item. Charges for mortgages on new homes (proposed construction) and existing homes were combined in computing these averages and ranges.

<sup>1/</sup> The first city listed under each of FHA's six zones represents the area insuring the highest average total loan closing costs in that zone; the second city represents the area insuring office reporting the lowest average total loan closing costs in that zone.

<sup>2/</sup> Number of cases reported too small to compute a meaningful average or range.

<sup>3/</sup> No cases reported.

<sup>4/</sup> Other costs are for such items as certificate of occupancy, miscellaneous service fees, sever charges, conveyance fee, entry bond, brokers' expenses, utility charges.

SOURCE: Federal Housing Administration





UNITED STATES DEPARTMENT OF AGRICULTURE  
Economic Research Service

IMPLICATIONS OF POPULATION AND OCCUPATIONAL CHANGE  
FOR RURAL AREAS DEVELOPMENT

Talk by John H. Southern  
Farm Economics Division  
at the 40th Annual Agricultural Outlook Conference  
Washington, D. C., 10:00 A. M., Wednesday, November 14, 1962

Since rural areas possess varying quantities and qualities of human, economic and physical resources, implications of the changes outlined by the previous speakers are that development of any nature will proceed in different directions and at different rates. Sole dependence upon farming defines one area's potentials, as does another area's choice of dependence on development of all resources. Our discussion, because of time, is briefed around development opportunities in farming, and development opportunities in nonfarm activities.

In the context of our discussion we are treating development in its economic sense, that is, as an increase in real income on some basis, such as per capita, per family, per area, etc. We shall want to think of rural areas development as being measured in terms of real per capita or family income growth gained through the expansion of job and income opportunities.

There are many variables in rural economic development other than those associated with population and occupational change. It is realized that there are basic forces of technological change that sweep population geographically from one side of a continent to another, and from one occupation to another. And rural area economic development requires a national economic climate in which employment is expanding at a rate that will furnish adequate opportunity for those entering the labor force. Without this requisite the problem of creating jobs and opportunity in or near rural areas becomes extremely difficult if not impossible. However, specific types of opportunity and income development for economically lagging rural areas can become a part of overall national growth and cannot be overlooked, even in view of the difficulties.

Opportunities in Farming

With a rapidly declining total farm population and an even sharper decline in labor input requirements it would seem that little discussion is needed to appraise employment and income opportunities in the farming industry. However, as there continue to be proposals and contradictions relative to maintaining some maximum number of people in farming, it is advisable to understand what this would mean in terms of income betterment. Of course, there may be some opportunity in increasing the number of adequate income farms. But the pertinent question becomes: What is the prospect for job and income opportunity expansion in farm employment?

In the first place, we want to be more explicit about what has happened in farm employment and where it has happened. It is probable that we have not yet faced up to the real extent of adjustments of the labor resource out of agriculture. Of all employed males in the United States, only 8.3 percent were in farming in 1960, or 1 out of 12 workers. This was a decline from 15.2 percent in 1950 (figures 1 and 2). The proportion of farmers and farm managers, the pertinent statistic from our standpoint, in the total of employed males was only 5.5 percent in 1960, or only about 1 out of 18. At this time there are relatively few States, 5 to be exact, where employment of male workers is heavily dependent (over one-fourth of total employed males) on farming. These States are North and South Dakota, Nebraska, Iowa, and Mississippi. In North and South Dakota, 2 out of every 5 workers are employed in farming. In Mississippi, the decline in farmworkers is so rapid that probably by 1965 it will be more nearly in line with the other Southern States, that is, 15 percent or less of the employed males will be doing farmwork.

For the 48 contiguous States, the change from 1950 to 1960 in dependence on farming for employment can be characterized as follows:

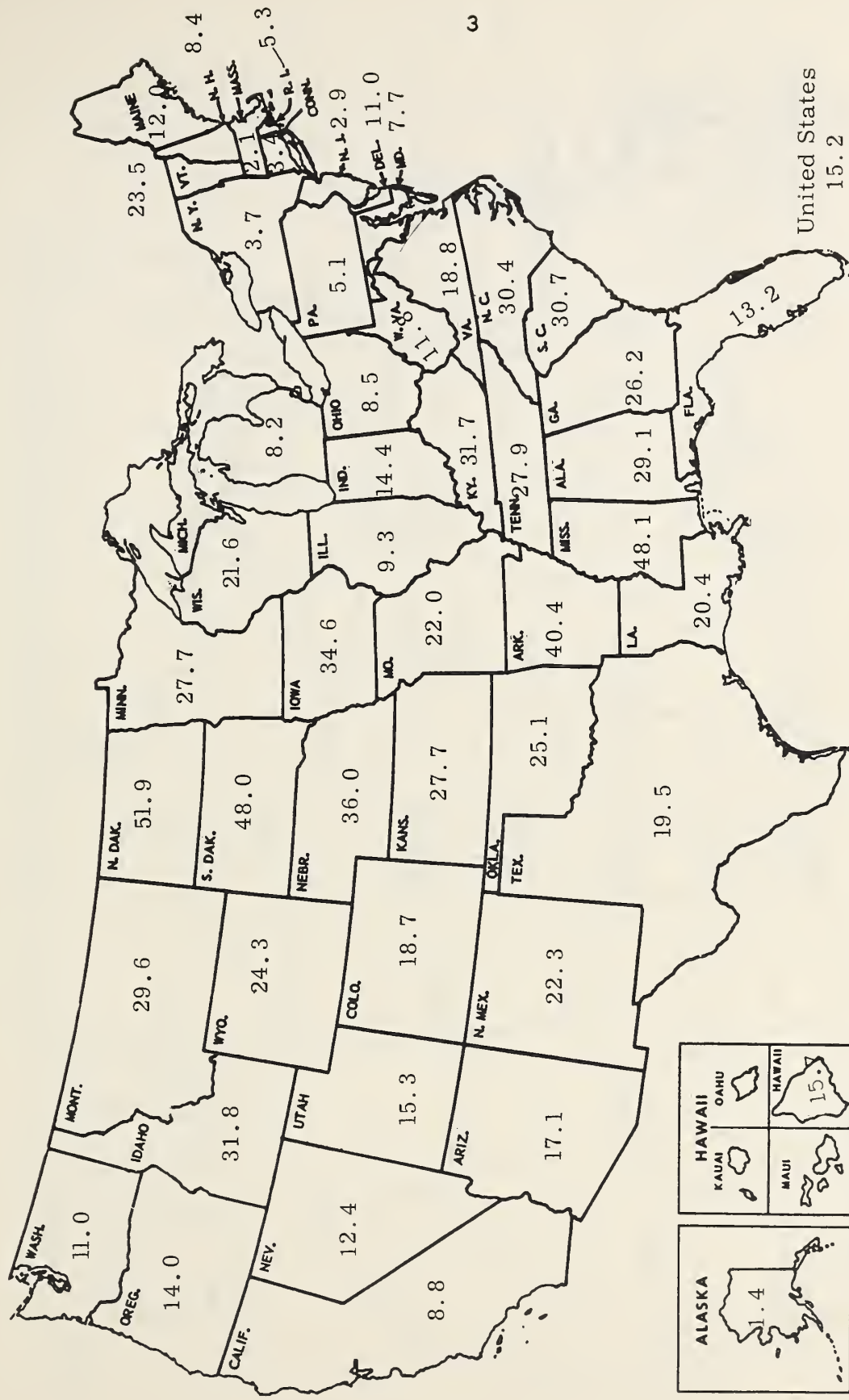
	<u>1950</u>	<u>1960</u>
Little dependence (less than 10 percent of male workers)-----	12 states	26 states
Moderate dependence (10 to 24.9 percent of male workers)-----	19 states	17 states
Heavy dependence (25 percent and over of male workers)-----	17 states	5 states

Actually, the total number of States with little dependence on farm employment will be increasing since several in the moderate category are now barely over 10 percent. Additional States will be taking on employment characteristics similar to New York, Massachusetts and Connecticut where only about 2 out of every 100 male workers are employed in agriculture.

It is significant that the relative and absolute declines in agricultural employment have been greatest in the lowest income States of the South and Southeast. (Such highly farm-oriented States as Texas, Oklahoma, Alabama, and Georgia, among others, have moved rather sharply toward nonfarm employment.) These are historically the areas where the decline from an income betterment standpoint should have been the greatest. It is no coincidence that some of the largest relative gains in median family incomes occurred in those States with the most rapid decline in employment dependence on farming (figure 3). While the U. S. median family income in constant dollars was increasing by about 50 percent from 1950 to 1960 (\$3,774 to \$5,657), most of the States with sharp declines in farm employment had median family income increases of 60 percent or more. Mississippi, with one of the sharpest declines in such employment -- from 48 percent of the male labor force in 1950 to 26 percent in 1960 -- had a median family real income increase of 97 percent,



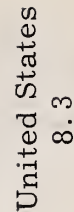
# MALE FARM WORKERS AS PERCENT OF ALL MALES EMPLOYED, 1950



Source: Includes farmers, farm managers, farm laborers, and unpaid family laborers, Table 77 - General characteristics, U. S. Summary - Census of Agriculture, 1950.

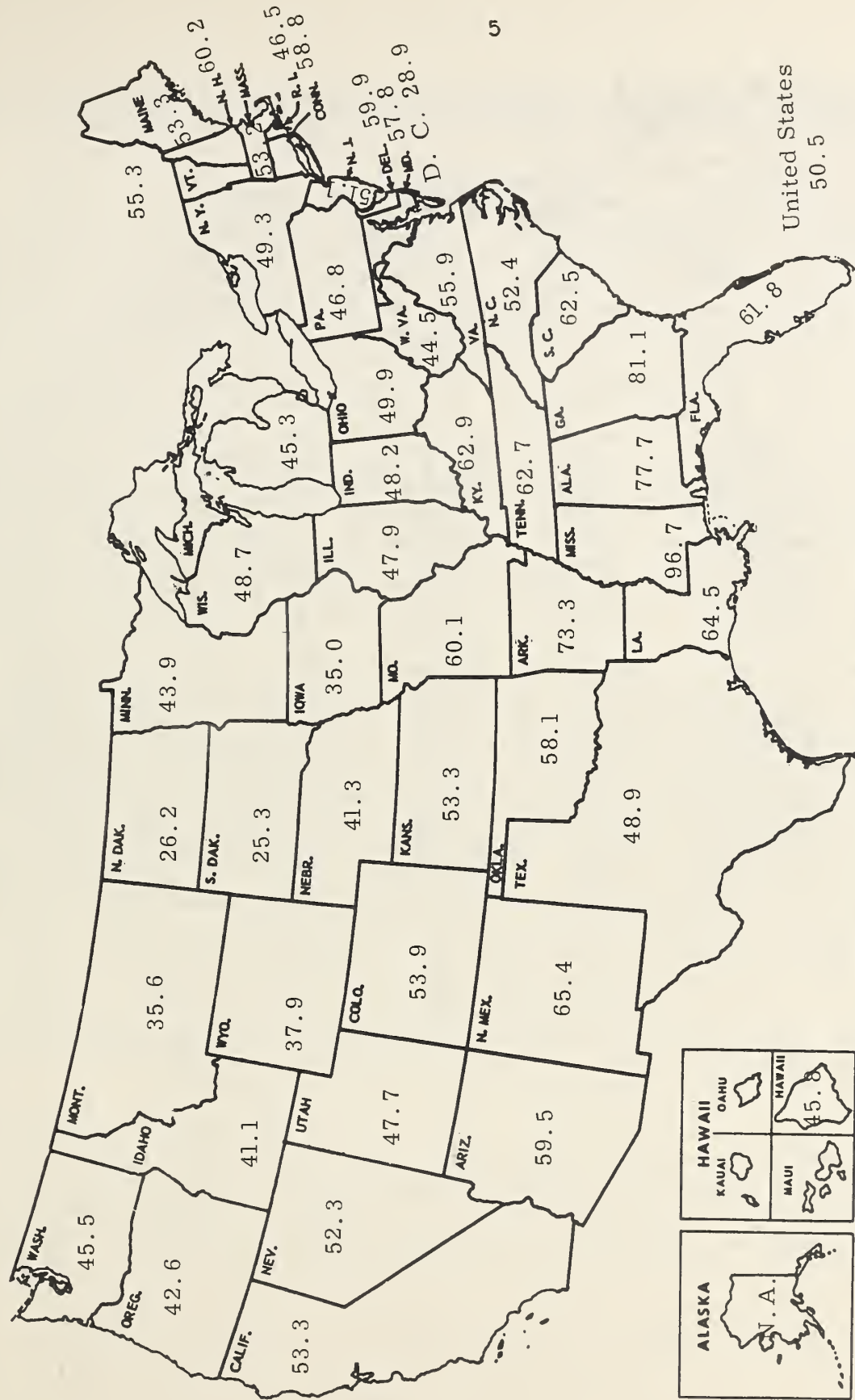
Figure 1

## 4



Source: Includes farmers, farm managers, farm laborers, and unpaid family laborers, U. S. Census of Population, 1960, General Social and Economic Characteristics

Figure 2



Source: Census of Population, 1950 and 1960. Adjusted by consumer price index change between 1950 and 1960.

Figure 3



from \$1,466 to \$2,884. This was nearly four times the rate of income increase for North and South Dakota, where heavy dependence on farm employment has continued.

Another measure of decreasing dependence on farming is the off-farm employment of the farm population. We usually think that the farm population is just that -- farm population. But such is no longer the case. In 1960, for the United States as a whole, about 32 percent of the farm males reported their major occupation to be something other than farming (table 1). This was an increase of relatively one-third from 1950 to 1960. In many States the proportion of farm males reporting nonfarm occupations doubled during the decade. This is significant from an income standpoint and from the standpoint of who is and who is not a farmer. The situation is that many who still are counted as farmers are merely that by definition, their chief work activity is in another occupation. In some of the Southern States, close to 40 percent of the male farm population reports nonfarm occupations. In such States as Ohio and Pennsylvania the proportion is even higher. It is only in States like North and South Dakota, Iowa, and Nebraska that farmers are farmers, so to speak. Thus, in States and regions where total employment has moved away from farming, the trend has been for farm residents themselves to adjust to nonfarm employment or retirement while nominally being labeled as farmers.

There is further implication and significance in these occupational changes. The large numbers of farmers and farm families who have shifted to other major occupations while remaining nominally in farming are in a position to shift quickly and completely out of the farm classification. In contrast with most agricultural adjustments, the move into other work involves no additional financial burden. Our rural development studies show that thousands of part-time farmers or small farmers can cease their current farm activity without decreasing money incomes. In many instances, money incomes might even be increased by ceasing to farm. The chief income feature of part-time farming or of rural living among thousands of families is the rental value of the home, some home-produced foods and the security feature of owning a resource -- small though it may be -- that continues to increase in value at a rate comparable to returns that might be obtained if funds were invested elsewhere. It is entirely probable that over a short period of time, we shall see thousands of these nominal and small (Economic Class V and VI) farmers dropping out of active farming. Once this happens, their position is irreversible, and we can expect a much smaller number of farmers even in the short-run.

As people have left farming, there has been some opportunity created for higher incomes through the enlargement of farms that remain. However, in the aggregate this means fewer farmers rather than more. For example, research has shown that an adjustment in farm size to achieve a level of production for adequate incomes always results in a drastic reduction in total farms. In three commercial farm areas of the South, adjustments in farm size to return

Table 1.- Occupations of rural farm population, United States and selected States, 1960

	Number of farms <u>1/</u>	Rural farm total employed persons		Rural farm total employed males	
		Number	Percent nonfarm	Number	Percent nonfarm
United States <u>2/</u> ---	3,710,503	4,673,003	41.0	3,693,003	31.9
States <u>3/</u>					
Alabama-----	115,788	124,763	49.9	97,014	41.0
Mississippi-----	138,142	156,948	40.2	120,289	31.3
North Carolina-----	190,567	264,249	43.6	196,864	35.0
Missouri-----	168,672	194,337	40.7	154,862	31.9
Kentucky-----	150,986	172,710	40.8	141,484	30.2
Texas-----	227,071	246,247	38.4	199,758	29.9
Oklahoma-----	94,676	88,767	44.4	72,077	36.3
Iowa-----	174,707	236,813	23.8	196,932	15.5
Nebraska-----	90,475	112,631	18.4	95,352	10.2
North Dakota-----	54,928	69,876	14.2	60,337	8.6
Montana-----	28,959	38,123	26.0	32,346	17.6
California-----	99,274	124,710	41.8	97,882	32.4
South Dakota-----	55,727	73,668	16.1	62,218	9.0
Pennsylvania-----	100,052	134,293	49.6	102,733	41.2
Ohio-----	140,353	188,647	52.3	146,370	43.9
New Mexico-----	15,919	17,753	38.1	14,682	29.5
Utah-----	17,811	14,103	52.7	11,251	43.1

1/ U. S. Census of Agriculture General Report (Farms and Land in Farms).

2/ Census of Population, U. S. Summary, C Series, table 87.

3/ Census of Population, Individual State Reports, C Series, table 57.

adequate labor-management incomes of \$4,500 would result in a reduction in farm numbers and labor requirements of some 50 percent. 1/

In low income farm areas the extent of adjustments required is much greater. In a low-farm-income county of Eastern Oklahoma a system of farming suitable to the area and returning a labor-management income of \$2,500 would reduce the existing 1,200 farms in the county to about 215 farms. 2/ In a similar but larger area in Missouri, adequate adjustments to obtain a net return of \$2,000 would reduce the number of farms from about 10,500 to about 3,200 or to about 2,800, depending upon the type of farming involved. 3/

In addition to the goal of achieving some minimum level of income for higher levels of living, there are technological forces in the highly competitive commercial farm sector that continue to press for greater efficiency, fewer labor inputs and fewer and fewer people employed in farming. Brewster has indicated that an annual capital growth rate of some 3 percent will be necessary for commercial farmers to keep up with technological advances. 4/ If one assumes that farm families will want to maintain and advance their levels of living, there will be additional pressure for an increase in capital growth. In an industry with a highly inelastic demand for its total product, this means continuous pressure for fewer and fewer operators to produce the products. This is demonstrated by the trends of only a 10-year period. In 1949 farmers producing less than \$10,000 in total sales were producing nearly one-half of the total farm product. By 1959 these small farmers were producing only some 28 percent of the total product (table 2). In 1959 farmers with \$10,000 or more in gross sales were producing the remaining 72 percent of the total product. At the rate of change occurring over the decade, there is every reason to estimate that some 80 percent of the total gross sales in 1962 will be produced by some 22 percent of the total farms. The proportion of these farms will increase as the smaller farms continue to decline in number.

Further evidence of the pressure for income maintenance among farm people is the continued decline of their income position relative to the nonfarm sector. On an aggregate basis, 43.5 percent of farm families in 1947 had

---

1/ J. S. Plaxico and J. W. Goodwin, "Adjustments for Efficient Organization for Farms in Selected Areas of the South," Southern Agriculture -- Its Problems and Policy Alternatives, Agricultural Policy Institute, Raleigh, N. C., Jan. 1961.

2/ Unpublished data from cooperative studies of the Economic Research Service and Oklahoma Agricultural Experiment Station.

3/ Ronald Bird and Frank Miller, Profitable Adjustment on Farms in Eastern Ozarks of Missouri, Mo. Agr. Expt. Sta. Res. Bul. 745, July 1960.

4/ John M. Brewster, A Changing Organization of American Agriculture, paper prepared for the Agricultural Committee of the National Planning Association, Washington, D. C., Oct. 1961.



Table 2.- Percentage of sales accounted for by size of farm group

Size of farm sales	1949		1954		1959	
	Percent of farms	Percent of sales	Percent of farms	Percent of sales	Percent of farms	Percent of sales
Under \$2,500-----	61.2	12.2	56.0	9.2	44.2	5.3
\$2,500 - \$4,999----	16.4	13.5	17.0	12.1	16.7	7.5
\$5,000 - \$9,999----	13.4	22.8	14.8	20.5	17.6	15.5
\$10,000 or more----	9.0	51.5	12.2	58.2	21.5	71.7
Total-----	100.0	100.0	100.0	100.0	100.0	100.0

Source: U. S. Census of Agriculture.

incomes falling in the lowest income quintile of the nonfarm group (table 3). By 1954 this had increased to 57.5 percent and by 1959 to 59.1 percent. If levels of living aspirations of farm families continue to expand in order to achieve parity with nonfarm levels of living, it is apparent that there has been real loss in relative position among families remaining in farming. This piling up of farm families at the lower end of nonfarm income distribution may have been slowed somewhat as shown by the small change from 1955 to 1960. Much of the income erosion among farm families has been at the upper income levels. In 1947, one-fourth of all farm families had incomes that placed them in comparable income brackets with the upper 40 percent of nonfarm groups. By 1960 the proportion of such farm families had declined by nearly one-half, to 13.2 percent.

The previous paper <sup>5/</sup> implies that there is practically no difference now between farm and nonfarm families in their standards of living (that is, their aspirations). If large groups of families would voluntarily reduce their level of living goals, the rates of return from employment could and would vary greatly by individuals and by areas. Marginal labor productivity rates, as measured by wages, could be widely divergent. There would not be particular pressures for heavy migration. But as level-of-living aspirations of farmers have moved higher, they are forced along with others to take positive steps for higher incomes. The income position in farming will continue

---

<sup>5/</sup> Louis J. Ducoff, Changing Occupations and Levels of Living of Rural People, 40th Annual National Agricultural Outlook Conference, Washington, D. C., Nov. 14, 1962.

Table 3.- Percentage of farm operator families with incomes that place them in specified quintiles of the nonfarm family income distribution, United States

Year	Quintiles of the nonfarm family income distribution				
	5 (Lowest)	4	3 (Middle)	2	1 (Highest)
	Percent of farm operator families				
1947 <u>1</u> /-----	43.5	18.3	13.1	12.7	12.4
1955 <u>2</u> /-----	57.5	16.7	10.1	10.8	4.9
1960 <u>2</u> /-----	59.1	17.4	10.3	6.9	6.3

Source: Calculated from income distribution data available in:

1/ Income Distribution in the United States, Office of Business Economics, U. S. Department of Commerce, 1953.

2/ Survey of Current Business, April 1962, Office of Business Economics, U. S. Department of Commerce.

to exert dual though not inseparable pressures -- (1) a continual striving for technological advance and efficiency, and (2) an incentive for people, particularly youth entering productive life, to continue the stream of movement toward other occupations.

#### Opportunities in Nonfarm Activities

We have taken a look at the employment and income opportunities in farming. The obvious overall implication is that rural areas, in the absence of heavy outmigration, must look to nonfarm development to solve problems of underemployment and unemployment. Now we want to explore some of the implications of population and employment change on opportunities in other types of economic activity in rural areas. One could spend a great deal of time on the potentials for any one aspect of nonfarm development. I am going to place emphasis on three broad types of activities that add to or expand economic opportunities. These are recreational developments, developments in the public sector, and developments in industry and service activities.

Much has been written, and rightly so, about the need for recreational developments in the United States. Population and employment shifts have resulted in a large urban-oriented population that has the time, the financial resources, and the need for outdoor recreation. Putting the demand and the supply picture of recreation together, there is obvious opportunity for

economic expansion in this activity. Some excellent overall evaluations are available in the many reports of the Outdoor Recreation Resources Review Commission, the results of these studies will not be repeated here. The Department of Agriculture recognizes the problem and the need and through the Food and Agriculture Act of 1962 has obtained authorization to make loans for recreation development and facilities to individual farmers and to associations serving farmers and other rural people.

In large recreational complexes, such as the development in the Ozarks region of Missouri and Arkansas, our research furnishes evidence that a local economy can integrate recreational enterprises into the overall economic activity of the area. In part of this extensive complex (some 31 counties in Missouri) tourists were spending about \$72 million in 1960 with a prospective expansion to some \$125 million by 1970. <sup>6/</sup> By the latter date, it is estimated that these expenditures may represent 40 percent of gross sales of all retail and service firms in the area, approximately 10 percent more than the value of all farm products now produced in the area.

The development of recreational resources in the area has given local people new job and income opportunities. Over 5,000 employees were hired as a direct result. Some 97 percent of these jobs have been filled by local people, most of whom apparently would otherwise have been unable to adjust to higher productive pursuits either in or outside of the area. Thus, recreation in a development complex can furnish employment to hundreds and even thousands of area people.

Another aspect of recreation concerns it as an enterprise on farmland and other private holdings. There are examples from all parts of the Nation of the farmer or landowner developing a fairly successful recreation enterprise. However, at this time we have no real evaluation of this type of recreational facility in terms of employment and income furnished, costs and returns, and management problems involved. Current research is furnishing us the required data to make appraisals of this potential. It is obvious that in some instances there will be opportunity for supplementary income from recreation enterprise development on farms. It is not too early to say that there will be some successful development and specialization in this enterprise.

The second area of nonfarm activity which can only be touched upon is that of public sector industries and services. This is a phase of the economy which most authorities describe as expanding, and it should be looked upon as an opportunity for economic development in lagging rural areas. Much of what has happened in population trends and occupational changes obviously has reduced the potentials of some areas for the location of public sector industries. In some instances there is a defense and security aspect which might dictate the locational criteria of such investment.

---

<sup>6/</sup> Ronald Bird and Frank Miller, Where Ozark Tourists Come From and Their Impact on the Local Economy, Mo. Agr. Expt. Sta. Res. Bul. 798, March 1962.



Also, some public sector activities are dependent on locational principles operating in the general economy. But taking all these into account, it should be possible and highly desirable to make some real contribution to rural economic development through the judicious location of public sector investments. Such development might be in the nature of decentralization of some present public sector activities as well as the location of new or expanding activities. No estimate of this potential is possible here, but it is one that lends itself to real policy and program consideration as means are sought to increase job and income opportunities in rural or small city America.

Our third broad type of activity is one that already is occurring in much of the rural and small city countryside, that is, the establishment of industries of a manufacturing and service nature. To understand the extent of this development it is worthwhile to repeat that 32 percent of all farm males are now employed in nonfarm activities and that rural people working as craftsmen, foremen, and operatives outnumber farm operators more than two to one. So, extensive development that allows rural persons including farmers to adjust to higher income opportunities has occurred. The need for the expansion of these opportunities continues if a viable development situation is to be maintained as a policy goal. The extent of this need is revealed in the continued heavy outmigration of persons, along with a large number of underemployed still on farms. Rural development research shows underemployment on farms to be the equivalent of 1.1 million unemployed males in the age group 20 to 64. <sup>7/</sup> Some additional number of underemployed exist among the rural nonfarm families, particularly among the 2.4 million families with incomes in 1959 under \$2,500. The question becomes: In view of the population and occupational changes that have already occurred what are the potentials for expanding this type of development so that more persons in rural United States can participate in an expanding labor market?

Population shifts described in the previous papers have left many towns, small cities and rural areas in a situation where economic development is made more difficult. These have lost the necessary population base on which economic development must depend, or have declined to such an extent that any further loss will be critical. Rural areas and small towns have suffered the greatest impact of this loss. It is an accepted criterion that there is some minimum level of services and institutional facilities which must exist if an area maintains a viable situation for economic development. What these facilities and institutions are and the size of them may vary, but it is apparent that there must be certain minimum services such as schools, medical and health facilities, shopping centers, product and supply markets, the tax base for public revenue purposes, etc. On the other hand, areas where growth has occurred have attained the advantages of agglomeration of market structure and size, or competitive advantage in various economic activities, and

---

<sup>7/</sup> Frank T. Bachmura, "Impact of Development Commissions on Economic Growth in the South," Economic Research Service, Washington, D. C. Estimates made by Robert B. Glasgow and William E. Hendrix. For comparative purposes total nonfarm unemployment amounted to 3,294,000 persons on November 1, 1962, according to official statistics of the Department of Labor.

of the general accrual of public service facilities necessary for continued growth. Thus, in the latter areas the economic development potential has been enhanced by population changes, and in the former, potentials under existing circumstances have been lessened.

Research by Ruttan, as well as other studies, shows that industrial decentralization and the impact of nonfarm employment growth is redounding primarily to areas and localities that have fairly large economic development complexes, or to urban and metropolitan centers. 8/ In terms of the agglomeration process in labor and product markets, this is what could be expected. In a manner the 1960 Census of Population indicates the extent of areas that might have suffered real handicaps in growth potential. For example, there are 991 counties with no population center over 2,500. There are 1,176 counties with population centers between 2,500 and 9,999. The dispersal of industrial activity or the establishment of new activities will not often seek those areas that have little labor supply potential or that do not have the social overhead investments to attract outside enterprise. However, a great deal of development has occurred in small complexes, particularly in the centers of from 5,000 to 10,000 population, from 10,000 to 25,000 population, and from 25,000 to 50,000 population. These potential growth centers had significant population increases during the last decade. They grew at the rate of 19.4, 47.9, and 69.2 percent, respectively. These centers make up small city America and probably furnish the bulk of employment opportunities to rural people. Interregional differences in economic change operate to further concentrate economic development activities, but such concentration in some instances and over a period of time may introduce divergencies that overcome some of the comparative advantages enjoyed by large and complex growth centers. As an example, some location and relocation of industrial activities in towns and small cities is occurring as a realistic appraisal is made of increasing total costs involved in further concentration of industrial activity. Wage differentials that have widened because of agglomeration of economic activities are an example of a factor that could work in the other direction. Also, efforts on the part of many local communities have resulted in overcoming some of the costs of industry relocation or new plant establishments. 9/ However, it is absolutely necessary that the agglomeration tendencies of current economic growth centers be recognized, both for understanding the general problem and need of national economic growth, and for public policy which means to direct growth toward specific areas or regions.

---

8/ Vernon W. Ruttan, Dimensions of the Depressed Area Problem, Department of Agricultural Economics, Purdue University. Paper presented at annual meeting of Midwest Economic Association, Indianapolis, Ind., April 1961.

9/ John E. Moes, Local Subsidies for Industry, University of North Carolina Press, Chapel Hill, 1962.

## Summary of Implications

We can summarize some of the implications of population and occupational change for rural economic development, repeating again that the real objective and the measure of progress is an increase in real incomes through expansion of jobs and income opportunities.

- (1) A more rapid and continuous growth of the national economy is a virtual necessity for expanding job and income opportunities in desired areas. Limited job opportunities, available primarily in metropolitan and urban complexes furnish economic opportunities only as people move to them or are able to commute. Therefore, the real and basic interest of rural areas and associated towns and cities is in policies and measures that expand total National economic growth to the extent that gains in employment can be achieved.
- (2) One of the most significant implications of population and occupational change is that rural America is no longer farm America. The decline in farm employment both absolutely and relatively has been so rapid and the shifts in population so extensive that in the aggregate farming can perform only a declining relative role in the overall economic growth picture. A concomitant is that underemployment or low income problems among the farm population are more amenable to solution because such underemployment involves fewer and fewer people.
- (3) Various studies have indicated that migration from the farm is highly sensitive to the level of unemployment in the general economy. <sup>10/</sup> However, one can hypothesize that this will be less true in the future. Since 70 percent of the net migration from farms is made up of youth and younger people it is probable that even the level of unemployment is not going to very greatly affect the rate of this migration. These are persons whose labor productivity in farming might approach zero, and they must seek opportunity elsewhere. A further aspect of this hypothesis relates to our productive abundance, by which a minimum level of consumption can be maintained without the problem of basic subsistence being involved. Subsistence can be had in today's abundance without the marginal farming that would only eke out an existence. In other words, a minimum level of consumption can be guaranteed by society. When this level of consumption equals or is greater than the marginal productivity in low income agriculture, and when there is

---

<sup>10/</sup> C. E. Bishop, Economic Aspects of Changes in Farm Labor Forces, in Labor Mobility and Population in Agriculture, Iowa State University Press, Ames, 1961.



"possible" opportunity in the nonfarm sector, migration will continue to occur.

- (4) The rate of growth in the nonfarm economy and the absolute and relative declining employment in farming are of such magnitude that more and more farm youth need to prepare for other occupations. Any approach to the youth employment opportunity problem will need to involve preparation for nonfarm occupations.
- (5) Population and employment changes primarily resulting from regional economic differences in opportunities apparently have reduced the potentials of some areas and localities for development. To overcome such reductions in potentials, concerted efforts on the part of localities are required. These efforts will be more successful if they are made within the framework of total growth needs and potentials of the region and the Nation.
- (6) Finally, research, policy measures, credit and technical assistance programs need to recognize that we are dealing with a changing rural America that reflects not only farm and farm technological change, but is now characterized by a nonfarm demography and employment structure. The forces of farm technological change and the demographic and employment patterns are interacting in such manner that the emerging rural America, including the structure of commercial farming itself, cannot be understood or dealt with without integrating the social and economic data of the two phenomena.



## A LOOK AHEAD AT FOOD FOR PEACE

Address by Richard W. Reuter  
Director of Food for Peace  
at the 40th Annual Agricultural Outlook Conference  
Washington, D. C., November 13, 1962. Release 3:40 p.m.

There comes a time for all of us to pause and take stock --to look back at what we have accomplished, and to look ahead to what it might be worthwhile to achieve. Therefore, today, I consider it a great privilege to share in this Outlook Conference conducted by a group of experts who can look back upon notable contributions to the skills and technology of the world's most productive farmers -- and ahead, as we are hearing repeatedly at this Conference, to an increasing tempo of change.

No one can say what will be the demands made upon United States agriculture in the days and years ahead. But I might note that in the light of events of the past three weeks, our so-called "surpluses" suddenly look smaller. Our domestic needs, and our export needs, were less clear as we faced the Cuba crisis and a Sino-Indian border conflict.

On the longer outlook, it is even more difficult to forecast world food needs in the short span of 38 years which will take us to the year 2000, when, according to U.N. population experts, our population will be doubled. It took us all of recorded history to build up to the three billion people on the earth today -- but only three dozen years from now, the population could well be six billion.

Ritchie Calder, the author of "Common Sense About A Starving World," emphasizes again and again that our most pressing problem is not so much the six billion mouths to feed in the year 2000 as the four billion who will be competing for food supplies only 18 years hence, in 1980.

"I am convinced that we shall not substantially modify the figures for 1980," writes Professor Calder, who until recently was a consultant for U.N. Agencies. "It is therefore essential that we contrive the means to feed them all in 20 years' time. We must mobilize the wisdom and the science of the world -- put the best brains and the most money behind the efforts to resolve our predicament. Science and statesmanship will have to work fast."

With more hungry people in the world today than ever before in history -- that is a calculation of the U.N.'s Food and Agriculture Organization -- and with recurring population waves threatening to engulf us, it is highly possible that U.S. food "surpluses" will before long fade away into shortages. And in the light of past experience, it doesn't seem likely that current international efforts to increase farm production in the underdeveloped countries will have brought them up to a self-sustaining level a mere dozen and a half years from now. Especially with a billion more appetites demanding food -- and better food than two-thirds of the people in the world are getting now.



What will happen then to our effort to curtail production and eliminate what have come to be known as our "surpluses"? Secretary Freeman has said many times that there are no real surpluses today with so many hungry people in the world.

In a world view, therefore, our principal problem in agriculture is not overproduction, but too few markets. Millions -- literally millions -- of people cannot afford to buy the basic foodstuffs they need and want; and tragically, too, additional millions know only inadequate nutrition. They are the victims of an elementary society that sentences its members to gnawing hunger and early death.

This, in the broadest sense, is the challenge for Food For Peace.

Are we prepared to think in terms of a positive program?

President Kennedy established the Food For Peace Office to supervise and coordinate the use of America's food resources in a worldwide attack on hunger. Food For Peace is a popular program with the American public. It is very broadly supported; all three major farm organizations endorse it. And yet, surprisingly, it is neither well known nor really well understood. America agrees that if we have the food we should use it -- but there is more to the story.

Permit me to assume that some of you are not familiar with the imaginative techniques by which the farm abundance held by the United States Government is shared with undernourished people and emerging nations. May I point out some of the key features of the program -- and point out that there are rewards in it not only for hungry people abroad but for the American farmer and businessman too.

One of the benefits derived from helping our less fortunate friends is in watching them grow into strong and self-reliant members of a free world society. This has been a keystone of U.S. foreign policy in the postwar period through three administrations. And there have been notable successes in that policy. Italy, Japan, Greece are good examples. In our preoccupation with problems, it is important to remind ourselves that Western Europe is today strong and free, thanks to their energy and skill and to U.S. cooperation and unprecedented material assistance. The vitality and strength of the Common Market is something we can take great satisfaction in -- (even while we negotiate hard for U.S. markets). Suffice it to say at this point that, more and more, Food For Peace -- the sharing of our food reserves -- is becoming an important supplement to financial assistance in U.S. foreign policy. It makes an impact upon people that dollar aid often does not.

What's more, food aid is distributed without an outflow of hard cash, and in these days of unfavorable balances of payment -- unfavorable to us -- that is an important factor. Nearly one-third of our non-military foreign aid took the form of food in fiscal year 1962.

Food For Peace exports have totaled \$11 billion since the passage in 1954 of Public Law 480, which authorizes the program. More formally known as the Agricultural Trade Development and Assistance Act of 1954, P.L. 480 has four

sections, or titles. We might look at these for a moment. Under these provisions, our surplus foods and fibers are sold to developing countries on concessional terms or on long-term credit. Our farm produce also is exchanged for foreign-produced materials, and it is donated to needy friends overseas to prevent starvation and to upgrade inadequate diets and encourage economic growth.

Title I of P.L. 480 authorizes the sale of U.S. food and fiber for the local currencies of dollar-short countries -- for rupees, pesos and so forth. Each contract is a bilateral governmental agreement which takes into consideration the food position of the purchasing country -- a guarantee that our concessional commodities will not interrupt the country's normal pattern of trade with our friends -- and mutual agreement on the uses to which the rupees or pesos, etc., are to be put.

The Department of Agriculture negotiates and executes the Title I agreements which, in the past eight years, have been concluded with 44 countries which have purchased more than \$5½ billion worth of food and fiber, at export value.

USDA and the Agency for International Development are operationally responsible for Food For Peace activities. In addition to Title I, the Agriculture Department administers Title IV and the barter section of Title III. AID administers grants and donations under Titles II and III, since these food programs are an integral part of the U.S. aid program overseas. The Department of State is responsible for all contracts with foreign governments, and is a major participant, therefore, in activities under the Food For Peace program.

Title IV was not made part of the law until 1959, and it was not used until the latter half of 1961. But since then, seven countries have begun to participate in this important additional sales system under which developing nations may pay -- as their economies and exchange positions strengthen -- may pay for U.S. foodstuffs in dollars over as long as a 20-year period. Interest rates can be as low as 3/4 of one percent.

In the 1962 farm bill enacted five weeks ago, the Congress reaffirmed its emphasis on trade development and normal trade channel encouragement and made evident, too, its continuing desire to create a more flexible law by amending this section which allows emerging nations to weave long-term food deliveries and repayment into their development plans. The amendment permits private traders, as well as governments, to enter into long-term supply agreements under Title IV, and it allows deferment of "reasonable" annual payments until two years after the final delivery of commodities. The Department is working now on the regulations for this -- they are not going to be easy to write. Unquestionably, however, Title IV is a provision of importance in the food assistance outlook.

Title II authorizes outright donations of food, in cases of disaster or special need, to nations or people on a government-to-government basis or through voluntary relief agencies. Liberal provisions in this section offer great opportunities for special economic development programming. Much of the imaginative new programming of recent months has come under the broad provisions of Title II.



Under it, in more than a dozen countries with lagging employment and struggling economies, the United States grants surplus food grains which are used for partial payment of the wages of thousands of workers who would otherwise be idle. These are self-help development programs in which the host governments usually pay half or more of the workers' daily wage in their own currencies. Some five million workers and dependents benefit. And the home countries benefit again, of course, from useful public works projects which most often include construction of classrooms and farm-to-market roads, irrigation ditches and canals, and the like.

This year, for the first time, Title II has been used also to institute programs with the double thrust of development and upgraded nutrition. Again our surplus grains are donated, this time to be fed to cattle or chickens for the purpose of creating animal protein in diet-poor regions. Thus we are feeding pigs in Hong Kong, giving an economic boost to marginal farmers and refugees, and increasing the supply of pork (which hopefully will have the significant auxiliary effect of reducing Hong Kong's dependence upon the Communist Mainland for its all-important daily pork supply). In Ecuador, our feed grains are traded under a complicated contract formula to a dairy for pasteurized milk, which is fed to mothers and children at a maternal health center. There are many more examples, including sustenance of families and their foundation livestock during resettlement and land reform activities.

Thus, we are combining American ingenuity with local initiative in using feed grains and food grains to create high protein relief foods for the short run, and for the longer term, to help farm families to help themselves become self-reliant, productive members of society. We are using food, U.S. food, for capital and for wages.

The United States helps also to provide school lunches in government-supported programs in four countries under Title II, and in 86 other countries through the medium of U.S. voluntary organizations operating under Title III. In all, some 35 million children participate in school feeding programs in which we provide as little as a glass of milk daily or as much as one or more hot meals -- most likely, in the latter case, the only substantial foods the children eat. It is the policy of this country to make maximum effort to assist less developed nations to expand their existing child feeding programs or to initiate new ones through use of our available foodstuffs. The host country is required under new legislation to make a small charge, where practicable, to the children who can afford to pay. This should eliminate the discrimination among pupils that has existed hereto because only "needy" children could be fed. Also, it is expected to generate income with which the host country can supplement the lunch menus. Eventually, the host country assumes full responsibility for this important social program.

Title III contains provisions under which 16 accredited U.S. nonprofit voluntary relief agencies and two United Nations agencies -- UNICEF and UNRWA -- this year will distribute our farm products to a record 78 million needy people. Nearly half of these recipients are children in schools and camps and orphanages. The volume of food moved in this manner is considerably less than under local currency sales, but the people-to-people impact probably is greater.



Most of the U.S. agencies are church-affiliated, and the work they do in areas of great need -- in Hong Kong, Calcutta and in the slums of other great cities -- is selfless and praiseworthy. The food they distribute upholds our Judaeo-Christian tradition of feeding the hungry. Moreover, my experience tells me that it earns a by-product of true appreciation for this country. Each donation is labeled in the appropriate language, "Donated by the People of the United States of America."

President Kennedy, in his memorable Inaugural Address, said, we do this "because it is right." America traditionally has met its social problems through voluntary association. I am proud to be a part of a program which, through the partnership of government resources and voluntary concern, allows Americans to demonstrate their humanitarian interest in human beings. This is America at its best! This partnership should continue.

The barter program, under which we have exchanged \$1.5 billion worth of food and fiber for strategic and other materials, also comes under Title III. This merits inclusion among our "Outlook" items because on September 25th the President approved recommendations of his Executive Stockpile Committee which should result in increased volume of transactions on a more selective basis than in the recent past. The barter emphasis is to be shifted from acquisition of strategic and critical materials to offshore procurement to save dollars and also to assist less developed countries, without balance of trade pressures to them or to us.

More and more, the various provisions of P.L. 480 point toward development of emergent countries. In that direction, I am confident, lies an appropriate role for Food For Peace. It is a role that deserves to be emphasized at this Outlook Conference.

Earlier, I mentioned Japan as an example of a success story.

Japan's economy had a long way to go in the early years of P.L. 480. Under Title I agreements in 1955 and 1956, she purchased \$151 million worth of wheat and flour, cotton, rice and feed grains, for which she paid yen, her local currency. Of this amount, which was left in an account in the host country, the United States lent the government of Japan \$109 million in yen (72 percent of the total) for economic development projects. Most of the remainder, 26.9 percent, was used to pay U.S. expenses in Japan.

In 1957, Japan signed a school lunch donation contract with the United States, agreeing that within three or four years she would hope to assume responsibility for administering and financing the program, following gradual withdrawal of U.S. support.

Our assistance to Japan has resulted, I think, in the classical progression that Congress envisaged for Public Law 480: from donations and sales for local currency to commercial cash transactions. Today, Japan is America's No. 1 dollar market for farm commodities -- more than half a billion dollars' worth a year. She is regularly and faithfully making payments on the \$109 million (yen) loan, in dollars.

What's more, our sales and donations have contributed significantly to altering the national food habits of the Japanese people. They have learned to like meat and bread and milk; their annual per capita consumption of wheat products was three times higher in the 1950's than it was prior to World War II. Demand has shifted also from soft wheat for noodles to hard wheat for bread, and this offers us a potential future market of great magnitude.

Here let me note parenthetically that Australia, which with Canada, New Zealand and the Low Countries, was once most apprehensive about the surplus disposal aspects of Public Law 480, has more than doubled her annual prewar wheat sales to Japan and multiplied her nonfat dry milk sales many times. These are markets created by P.L. 480. These are markets for U.S. producers -- and markets, too, for other excess producing areas.

Title I is a unique weapon for waging war upon economic backwardness. First, by supplying food for local currencies, it saves the developing countries' meager foreign exchange to be used for financing the import of fuels, industrial materials and capital goods necessary to launch and maintain a reasonable rate of economic growth. Next, it tends to halt the inflation that would otherwise result from local consumers competing for local food supplies as they earn more money in nonfarm jobs. Finally, the United States leaves a big share of the generated currencies in the host country in the form of loans and grants for economic development. A smaller share is retained to defray U.S. expenses in the country and to finance educational exchange, agricultural market development, research and other programs

In fiscal 1962, this "U.S. use" of foreign currencies accounted for a direct U.S. Treasury dollar saving of more than \$150 million. We are using our food in place of dollars. This phase is expanding and becoming ever more significant each year.

Now it is true that local currency "sales" are not normal commercial transactions, but a form of humanitarian and economic assistance to a nation in need of help. India today is our biggest P.L. 480 "customer." India will not become fully a cash buyer in the world market -- as Japan has become a cash buyer -- without a great deal of help at this point in her development.

Food For Peace is offering effective help. The respected Indian economic publication, "The Eastern Economist," in July of this year wrote that the Food For Peace program is "a new massive and strikingly original pattern of financing economic development." It praised the P.L. 480 program for reducing the inflationary consequences of development spending, for stabilizing food prices, for improving school attendance for more than three million children in the lunch program, and for generating employment in underemployed India.

The editor summed up the direct and indirect effects upon the job picture in this way: "In addition to feeding the hungry, assisting in the setting up of new industries and building new irrigation projects, the P.L. 480 scheme has produced a far-reaching impact on the economy by providing work to a large number of additional men and women -- estimated to be about 400,000 in all."



I wish more Americans realized how effective this 480 scheme can be. These are pluses -- seldom thought-of by-products of our Food For Peace efforts. We are indebted to our Indian economist friend for pointing them out.

There is another area of achievement that I should mention before I close. We are creating markets through 480; we are also creating markets for new products. The people in parts of India, and in other countries of the Far East, are learning to eat bulgur wheat -- and like it, I may add.

Bulgur, which is a wheat product consumed in the Middle East since Biblical times, was first added to the donation "menu" of U.S. voluntary agencies in 1961 in the volume of five million pounds. So enthusiastic has been its reception since then that a few weeks ago, on October 29th, the Department of Agriculture contracted for processing of another 9.5 million pounds of it, which brings the total to date to 204 million pounds. Nearly four million bushels of hard red wheat, held in surplus by the Commodity Credit Corporation, has been used in the process.

Bulgur promises to become an expanding outlet for our wheat overseas.

I hope that today, in citing some of these examples, I have hinted at the scope of Food For Peace, and at its possibilities for the future both in terms of helping needy people and struggling economies, and the American farmer as well.

Food For Peace exports have accounted for nearly a third of all U.S. agricultural exports in the past eight years.

And while our government shipments have climbed steadily in the past four fiscal years from just over one billion dollars in 1958-59 to one billion and a half in 1962, our private commercial transactions have more than kept pace with them -- rising from \$2.5 billion in 1959 to \$3.5 billion in 1962. Private export gains amount to more than one billion dollars -- government gains half a billion -- and together they have boosted our total agricultural exports to a record \$5.1 billion in the fiscal year just closed on June 30.

It is interesting to note, incidentally, that while our exports were climbing, our agricultural imports were going up as well. They gained 3 percent in value -- more than \$120 million -- in the last fiscal year, while increasing from \$3.65 billion in 1961 to \$3.77 billion in 1962. The increase by quantity was 7 percent.

Trade tends to grow both ways!

Food For Peace is feeding hungry people. Food For Peace is creatively helping emerging nations to be self-sufficient. And Food For Peace is creating markets for our own agricultural commodities.

I hope you will help us tell this American success story.





UNITED STATES DEPARTMENT OF AGRICULTURE  
Economic Research Service

MARKETING AND NEW PRODUCTS

Talk by Philip B. Dwoskin  
Marketing Economics Division  
at the 40th Annual Agricultural Outlook Conference  
Washington, D. C., 4:15 P. M., Wednesday, November 14, 1962

I appreciate the invitation to talk once more with you about our marketing economic research activities and the new product developments of utilization research. It is fitting, in my opinion, that this topic be presented as part of the Family Living Sessions, which is the consumer oriented part of the Outlook Conference. Most of the research activities which I will discuss have been selected with the interest of the consumer in mind. It is generally accepted that the Outlook Conference is conceived and dedicated to the proposition that economists and statisticians can provide the necessary economic intelligence for farmers to allocate resources in such a manner as to maximize their incomes. Similarly research done by marketing economists can provide consumers with marketing intelligence to enable them to allocate their income in such a manner as to maximize satisfaction from the billions they spend for food.

As I indicated to you last year, a substantial part of the marketing economics research program is devoted to market research studies that help the farmer, the processor, and the dealer of agricultural products. In addition to market potentials research which evaluates the economic feasibility and market expansion possibilities of new and improved agricultural commodities, these include commodity studies of interregional and intermarket competition; margins and costs for marketing agricultural commodities; market structure and costs research; research studies to improve the farmers' bargaining power in the marketplace; and market development research which includes studies evaluating promotion and merchandising of agricultural commodities, as well as public programs involved in the distribution of food, such as school lunch.

The estimated marketing bill for 1961 represents an increase of almost 75 percent in eleven years since 1950. Since marketing studies are focused on ways of improving the marketing system and reducing marketing cost--which is currently running at about two-thirds of consumer expenditures for food, or about \$42 billion--they are in the interest of all groups in the economy, including consumers. This is the kind of research that oils the squeaks that develop in even our amazingly efficient marketing system.

I have been talking about farmers and consumers as if they are two mutually exclusive groups. This is not the case. Let us remember that farmers are also consumers. With our farm population becoming more and more dependent on purchased rather than homegrown foods, it is obvious that in either role the farmer benefits from a more efficient marketing system.

It is difficult to talk about our marketing system without using glittering generalities. The food and allied industries can be proud of their achievements. Anyone who walks into today's modern, clean, spacious supermarkets can't fail to be impressed at the vast array of items displayed and the reasonable prices tagged on these items. All this, with piped-in music, kiddie corners, parking lots, and trading stamps thrown in. Whenever I say this, the usual reaction is: "Yes, we have all these fine things, but they are not free; we are really paying for them." Let's examine this allegation in more detail.

American consumers on the average spend about 20 percent of their disposable income for food. By contrast, even in some of the advanced economies of Western Europe the average expenditure for food is about a third of their incomes. In underdeveloped economies the contrast is even more noticeable. For example, in Nigeria it is estimated that 70 percent of the family income goes for food. While it is true that if U.S. consumers had bought the same food and services as they did in 1935-39, they would have spent only 14 percent of their income, instead of 20 percent, on food this increase of 6 percentage points does not represent entirely increasing services and costs of these services. To a considerable extent it represents an upgrading of diet, that is a shift to higher cost and perhaps more satisfying foods.

In spite of the shift to a higher cost diet, the American consumer still is paying a far smaller portion of his income for food than his foreign counterpart, as well as less than any consumer in American history. For example, to earn a pound of butter the average American worker works 20 minutes--the Russian worker, 193 minutes. A pound of rice costs an American 5 minutes of work--a Japanese, 25 minutes. In 1929, an hour of U.S. factory labor bought only 1.2 pounds of round steak, while today it buys 2.2 pounds. It bought 4 quarts of milk then--9 quarts today; 15 oranges then--37 today. More facts and figures are available, but it all adds up to the same conclusion. The American consumer is reaping the benefits of living in a highly mechanized, technologically oriented society and the agricultural sector, by providing the tremendous abundance of food and fibers, is playing a significant part in enabling the American consumer to lead the affluent life.

We have made a study of the comparative costs of convenience foods to consumers. The results of this study bear out in part the contention that increase in the percentage of income spent for food is not entirely due to increased services. It points out that increasing costs of services, as they relate to maid service built into food by processing, is not an important factor in rising food costs of the postwar period. Rather the cost of adding convenience to foods is minimal in nature compared to other costs such as rents, labor, transportation and housing. We found that the convenience foods, and by "convenience foods" we mean those foods that have undergone some preparation ordinarily done in the home, are not exotic type foods such as cheese blintzes and the like usually considered by many as convenience foods. Instead, we found that many important convenience foods had a cost-decreasing effect on consumer expenditures. These were such foods as frozen concentrated orange juice, instant coffee, frozen lima beans, canned spaghetti, and cake mixes such as devils food. (fig. 1)



On the other hand, most of the convenience food items we priced in the study--116 out of 158--were more expensive than the fresh or home-prepared counterparts. The higher prices for many of these conveniences are due in large measure to their extremely low volume of sales. Also some convenience items such as frozen TV dinners, are not amenable to production with automatic equipment. We are told by food processors that unit labor costs are high because of the necessity for individual handling of each dinner. In some instances the method of processing or the expensive packaging requirements, or both may account for some of the higher prices. This is particularly true for dehydrated foods. (fig. 2)

As noted earlier, high sales volume is correlated with lower prices for most of the 42 products that were found to be less expensive than the fresh or home-prepared items. This is understandable since higher sales volume, coupled with the many cost advantages of large scale production accruing to factory-prepared items, is a potent combination for partially offsetting the added costs of processing and packaging. Other factors that contribute to making some processed foods cost less than their nonprepared equivalents are the following: (1) Most processed foods are prepared when raw material supplies are in season and are most abundant and cheapest; (2) Processed products are more stable, less perishable, in some instances less bulky, and have greater uniformity than is true of fresh products. These factors bring about considerable savings in handling, transportation, and storage; and (3) Many of the products like cake mixes, frozen concentrated orange juice and the like are processed and packaged in vast quantities, making the production and handling costs per package extremely low.

One other point on this study which I believe will be of interest: Probably the most useful by-product emerging from the research on convenience foods will be the comprehensive and objective yield information developed for the various forms of the same food. Heretofore, accurate comparisons on per servings of these various foods could not be made because data for many of the processed foods were not available. In our final report, data will be available to allow accurate comparisons to be made for a large number of processed food items. This should prove a boon to economy-minded shoppers who often can discover savings by comparing the cost per serving of various forms of the same foods.

Another study of interest to consumers is our work on freeze-drying. Freeze-drying is a process wherein foods are dried under vacuum in the frozen state; the water passes off as a gas, leaving a sponge-like structure which has lost 85 percent of its weight, but not its bulk, with excellent rehydration and flavor characteristics. Last year I mentioned that this work just was getting underway. Today I have some preliminary results to pass along to you relating to one phase of the project--an evaluation of flavor acceptability by an expert taste panel of selected freeze-dried products and commercially available counterparts, usually a processed form. 1/ As you know, objective

---

1/ Bird, Kermit. "Freeze-Drying Expectations," Talk presented at the American Society of Heating, Refrigerating and Air Conditioning Engineers' Meeting, Hershey, Pa., Oct. 26, 1962.

expert taste panel evaluation is an important step in the development of a new product. These evaluations were accomplished by the Food Quality Laboratory of Agricultural Research Service. Altogether 30 freeze-dried products were evaluated. The six products discussed here (hamburger, chicken pieces, scrambled eggs, shrimp, peas, cream of mushroom soup) were selected to give a sampling of some of the more important commodity groups.

Now remembering that the only characteristic shown here is flavor, let us examine several of the products and see how they compare with the standard, usually the commercially available frozen or canned form. (fig. 3) It appears that on the basis of flavor alone, freeze-dried products, except for cream of mushroom soup and hamburger, were rated below their commercial counterparts. Obviously final judgement on comparative acceptability of freeze-dried products should await the full report, but some tentative conclusions can be drawn from the panel evaluation. These are: (1) The freeze-drying process, from a flavor standpoint, works better on some commodities than others; (2) In view of the overall results, the future of freeze-drying may lie in the direction of complete ready-to-serve dishes or entrees rather than as separate ingredients; and (3) The considerable quality variations found among brands indicate that an individual company's know-how in freeze-drying processing techniques may be an important determinant of product quality.

Let us turn now to market research studies of specific commodities and related new product developments. While none of the new product developments are particularly new in the sense that many of them have been previously discussed by myself and others in the Department, we do have some relatively fresh study results which may be of interest. These findings and new product developments will be discussed under specific commodity headings.

Dairy products research.--In our work in the dairy field, a study of the causes and effects of milk price wars has brought to light information to consumers. Some price wars appear to encourage greater concentration of control of markets by putting a financial squeeze on smaller firms. In other instances price wars seem to act as a stimulus to competition by helping to bring cost-reducing innovations such as lighter or larger-sized containers, or quantity discounts to households on home delivery routes. A case in point illustrates what a group of determined consumers can do. In the Hartford-New Haven area of Connecticut, a group of housewives took the lead in changing State laws which prevented the use of gallon and half-gallon containers. The general competitive stimulus which followed the legalizing of these containers encouraged dealers to introduce other economies in the distribution of milk to both stores and homes. As a result of this general streamlining of operations, an area of exceptionally high milk prices became one where milk prices were considerably more attractive to consumers.

Changes in consumers' purchasing habits, combined with competition from other products are significant factors in the declining per capita consumption of fluid milk. This decline, coupled with increased farm output of fluid milk, has created a serious surplus problem. However, one bright spot in the fluid product field appears to be low-fat milk. We have underway a study designed to measure the effect of sales of low-fat milk on sales of whole milk and skim milk in selected areas, as well as the market potential for the



product in areas where it is not currently sold. With the excellent cooperation from the Milk Marketing Orders Division of ASCS, sales statistics for the product are now being collected in most of the milk order markets where the product is being sold. These statistics indicate that low-fat milk is a much more significant factor in fluid milk sales than anticipated. In several markets low-fat milk accounted for as much as 15 percent of total fluid milk sales. In these markets we find that the low-fat product previously reported in the skim milk category has been a primary factor in the increase in skim milk sales. These volumes indicate to us that this product is the type of fluid milk product wanted by a considerable number of household consumers. Our study will determine the extent of such wants and the possible economic effects the introduction of this product on a wider scale may have on milk consumption on one hand and dairy producers' returns on the other.

Fruit and vegetable research.--We recently completed a test of sweetpotato flakes in Cleveland and New Orleans restaurants and other types of institutional outlets. The research results indicate a highly favorable reaction to instant sweetpotato flakes by management, kitchen help and customers. The potential for the product developed by the Southern Regional Laboratory appears to be sizeable. We found that when sweetpotato flakes were offered on the menu, 20 to 25 percent of the customers ordered them and their reaction was extremely favorable. The main emphasis of the research was focused on kitchen preparation of the product. Through personal interviews and observations of preparations for actual meal situations, it was found that operators' favorable reaction to sweetpotato flakes was based on the fact that they were easy to prepare, saved time and labor, and added variety to menus.

Some of the more interesting products we are planning to put in a testing situation in the near future are instant bean, pea and lentil powders, developed by the Western Regional Laboratory. The powders are very easy to use. Soups can be prepared by merely stirring the powder in hot water to give the consistency desired. The products also are versatile. The bean product powder, for example, can be used not only as soup but as fried bean cake, dips, croquettes, casseroles, meat stuffing, and the like. In the production process the beans or peas are scalded briefly, soaked overnight and cooked in the soak water. They are then pureed in equipment that forces the material through perforations in a metal plate. The product is then ready for dehydration. The powder can be ladled out for one serving or for as many as the homemaker prefers. Thus the bean, split pea and lentil also have joined the instant family.

The work on instantizing fruits and vegetable pieces is making good progress at the Eastern Laboratory. A process analogous to the puffing of cereals is being developed. The process has been successfully applied to potatoes, beets, carrots, green corn, and apples. It entails conventionally drying vegetable or fruit pieces with hot air to about 45 percent moisture. The drying is then interrupted and the pieces are momentarily heated to super-atmospheric pressure. When the pressure is suddenly released, a small percentage of the moisture flashes into vapor, thereby creating a porous structure. This enables a greatly accelerated rate of drying by conventional means. The major advantage, however, is in the greater ease of rehydration. The products resulting require only 5 to 6 minutes simmering, in contrast to the 20 - 60 minutes necessary for conventionally dried pieces of the same size. The process



will make available relatively large pieces for various dehydrated soup mixes without any increase in time for reconstitution. It will also make available dried fruit pieces with a potential use in cereal and cake mixes.

In the dehydrated potato field there has been a development of interest. The Eastern Lab has further refined the potato flake into another form of mashed potatoes known as potato flakelets. As the name indicates, the product has all the virtues of its bigger brother flakes, but in addition has a considerably greater density. This of course makes for more product per package and thereby reduces packaging costs.

There have been some important research developments concerning measurements of onion flavor. A chemical test for pungency has been developed. This work at the Western Laboratory will allow manufacturers of onion products and all those who use onions in formulated food products to use the onion with the proper flavor and odor. What this means to consumers is that they will get a more flavorful, tasty product than would otherwise have been the case.

Also Western Lab researchers have been successful in developing a stabilized raisin for dry cereal products. One of the real problems of prepared breakfast food flakes containing raisins is that the shelf life is shortened by transfer of moisture from fruit to cereal. Eventually the flakes lose crispness and the raisins become hard and less palatable. A moisture impervious film using an edible coating of bees' wax offers considerable promise for a stabilized raisin, and for an expanding market for raisins in dry cereal products.

Last year I reported to you quite extensively on the Utilization Laboratories' process developments concerning essence-flavored superconcentrates and powders, dehydrofreezing and foam-mat drying. On the dehydrofrozen side, it appears that apple slices which we tested in three major eastern markets, are a rapidly growing commercial product, particularly in pie baking. While on the subject of apples, I might say that superconcentrated apple juice, another product we tested in Fort Wayne in recent years, is about ready to make its commercial debut. Dehydrofrozen peas are in commercial production and the demand for this product is growing rapidly. Dehydrofrozen potatoes appeared on the retail market this year.

For the foam-mat process, work is continuing on several interesting products such as tomato and orange juice. We hope to have the orange juice product in a testing situation in the near future.

Egg products.--Prospects for the development of an egg solids powder, instantly dispersible, with good stability and fresh-like flavor, plus being salmonella free, are good. Researchers in industry and at the Western Lab have successfully applied several different methods of instantizing egg solids. These are an agglomeration of spray-dry powders, forced air drying of mechanically pre-formed foams (fluff drying) and gas impregnation prior to spray-drying. All three methods yielded powders of dispersibility strikingly improved over conventional spray-dried powders, without impairing functional properties. The technique of gas impregnation of egg solids prior to spray-drying is somewhat like the methods used in making instant coffee and tea. However, the

specifics and methods of applying the idea of gas impregnation prior to spray drying were conceived by the Western Laboratory researchers.

Industrial uses of agricultural commodities.--The development of new and improved industrial uses of agricultural commodities and the search for new crops to provide products for industrial use has received increasing attention in recent years by the Department's scientists. We have a group in our Market Potentials Branch whose sole efforts are devoted to assessing the economic feasibility of these research efforts and providing guidelines to assist in the physical research programs of the Department. Although this is a food session, I have selected two specific areas of work which I believe would be of interest to this group. First I would like to tell you a little bit about the Western Lab's work on wool and a related marketing research project underway. The Wool and Mohair Laboratory of the Western Division has patented and developed the interfacial polymerization "wurlanizing" treatment for wool. This IFP treatment prevents shrinkage of wool fabric. Wool fabric processed in this way thus can be safely laundered in the home washing machine. Obviously apparel manufacturers and retailers have indicated a strong interest in such homelaunderable wool products. Our research in this area is aimed at determining the possibilities of expanding wool consumption in those apparel lines where the features of homelaundability are likely to be beneficial. Interviews presently are underway with garment manufacturers and retailers. This process for treating wool fabric, once it is commercialized, could enable wool to compete more effectively with other fibers.

A new crop whose oil may have, among other things, potential application in the food film packaging industry, is Vernonia or Indian iron weed or purple fleabane. The crop's oil contains about seventy percent of epoxy fatty acid currently obtained at relatively high cost by chemical modification of tallow or soybean oil for use in plastic formulations, protective coatings and other industrial products.

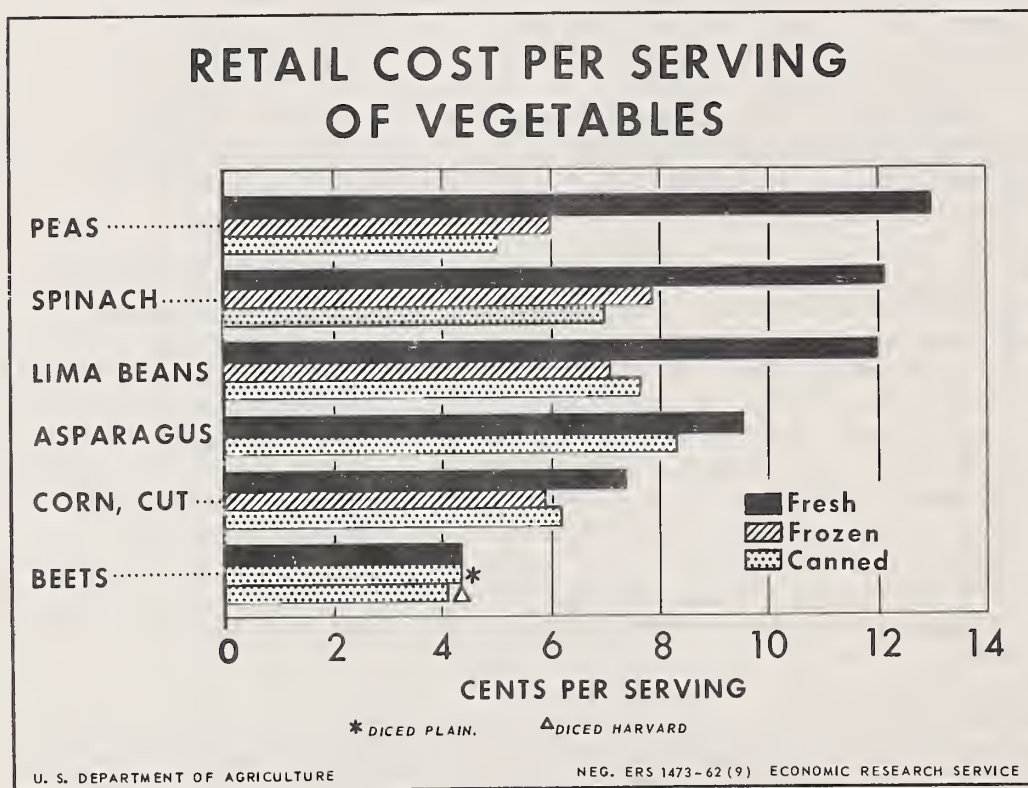
Thus far, plantings in several states have indicated that Vernonia is adapted to a wide variety of environmental conditions. Plantings of seeds in April in Nebraska, began blooming in about eight weeks and continued to flower throughout the summer. Similar plantings in North Carolina and Texas have indicated the adaptability of this plant. Research activities concerning cultural requirements and production factors have been assigned to the Crops Research Division of ARS and the State Experiment Stations. The developmental research on seed oils containing chiefly epoxy fatty acids components has been assigned to the Eastern Laboratory of ARS. The determination of the economic feasibility of the new crop, particularly in terms of potential markets and future selling prices, is the responsibility of the Marketing Economics Division. Vernonia is only one of several new crops undergoing investigation at this time.

One final word--earlier in my talk, I extolled the virtues and the efficiency of the food industry in this country which has been described by many as the miracle of food distribution and the like. Let us remember one thing, that playing an important role in this so-called miracle, aided and abetted by the availability of new and improved technology, is the American farmer, himself. You in this group who deal daily with the American consumer,



both on the farm and in the cities, are well aware of the fact that the public image of the American farmer has not been too good. He carries the stigma of surpluses, subsidies, and the like, rather than the laureate of bountiful provider that he is. Perhaps you can point out to your clients in simple terms that the farmer, not the consumer, bears the burden of abundance. What this means is that the pressure of supply in a situation of abundance creates low prices at the farm level, whereas in a situation of scarcity, the pressure would be on consumers and they would be paying considerably higher prices for food. For example, if food prices had increased in the postwar years at the same rate that other components of the cost of living index have, such as transportation, labor, and rent, the American consumers would have spent in 1961, \$10 billion more than they actually did. When you compare this amount with the total cost of our farm program for 1961, or for that matter farm income for that year, it is obvious that the farmer has been unfairly stigmatized in the postwar years.

As our Lyle Webster put it in a recent article in "Plant Food Review," "Any way you look at it, the U.S. farmer is a success story. Let's help tell this success story, not alone for ourselves but for the world. Let's tell the world that while racing for the moon is desirable, no number of Vostoks can gloss over the need for plentiful food production. The race for plenty, not only for ourselves, but for the world, is the important goal. We do have a man in orbit--he is the man who feeds us."





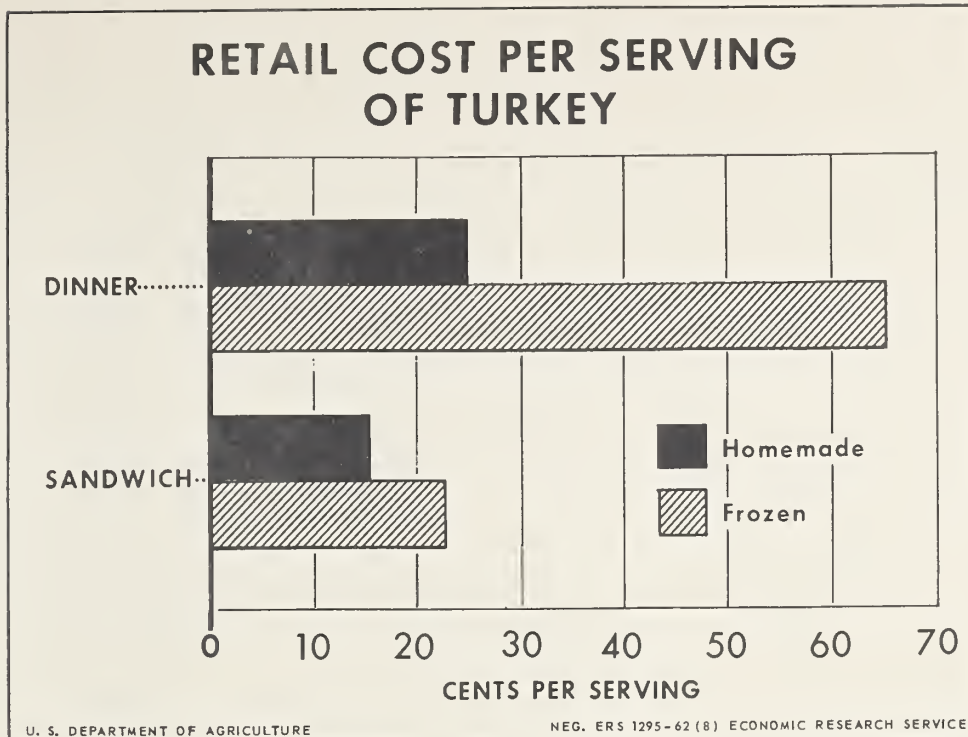


Figure 2

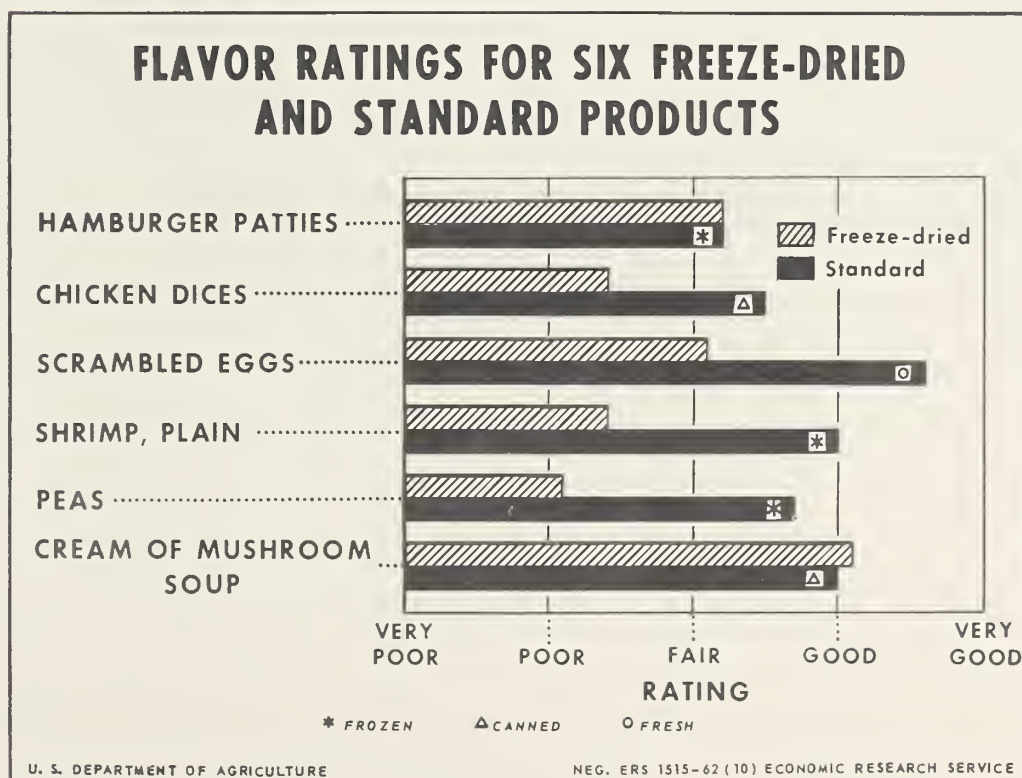


Figure 3









UNITED STATES DEPARTMENT OF AGRICULTURE  
Economic Research Service

NATIONAL ECONOMIC SITUATION AND OUTLOOK FOR 1963

Talk by Rex F. Daly, Chief,  
Outlook and Projections Branch  
Economic and Statistical Analysis Division  
at the 40th Annual Agricultural Outlook Conference,  
Washington, D. C., 11:00 A. M., Tuesday, November 13, 1962

The recent slowing in economic activity and mixed trends for major business indicators have brought some concern about the coming year. But a modest gain in the level of economic activity is indicated for 1963. Prospective increases in purchases by consumers, businessmen, and the Government point to some increase in economic activity with gains in consumer purchasing power and in the domestic demand for farm products. Consumer income per person after taxes is up about  $3\frac{1}{2}$  percent this year from 1961. Increases in the coming year are expected to be smaller. It is possible, however, that the modest gain in economic growth in prospect could be accelerated. The vigor of the economy and the level of consumer incomes in 1963 will depend to a considerable extent on increases in defense spending and any new legislation affecting taxes. International tensions in recent weeks also have injected a new element into the outlook for 1963. The economic impacts of these events and possible future developments are not yet clear. But a worsening in international tensions usually increases world demands and steps up economic activity.

The farmer's interest in the general economic outlook for 1963 centers around three major impacts on agriculture: (1) Changes in consumer income affect consumer buying and exert a significant influence on the demand for some foods and nonfood farm products. But the influence has been relatively small for farm products as a whole; (2) With about two-thirds of total farm inputs coming from nonfarm industries, price changes in the industrial sector materially influence farm production costs; and (3) Around a third of the total personal income received by farm people comes from off-farm sources. Opportunities for off-farm work, as well as the rate of movement of farm people out of agriculture, depend to a considerable extent on employment opportunities in nonfarm industries.

The Current Economic Situation

The rise in economic activity slackened this summer and fall after a moderate 1961-62 expansion of more than a year. The Gross National Product, which measures the volume of all goods and services produced, was at a rate of \$556 billion in the third quarter. There was a continued rise in consumer spending and in fixed investment outlays from second quarter rates. But a reduction in net exports and in the rate of inventory accumulation limited the increase in the gross product to about 0.5 percent from the second quarter. The rise in industrial production, nonagricultural employment, and personal

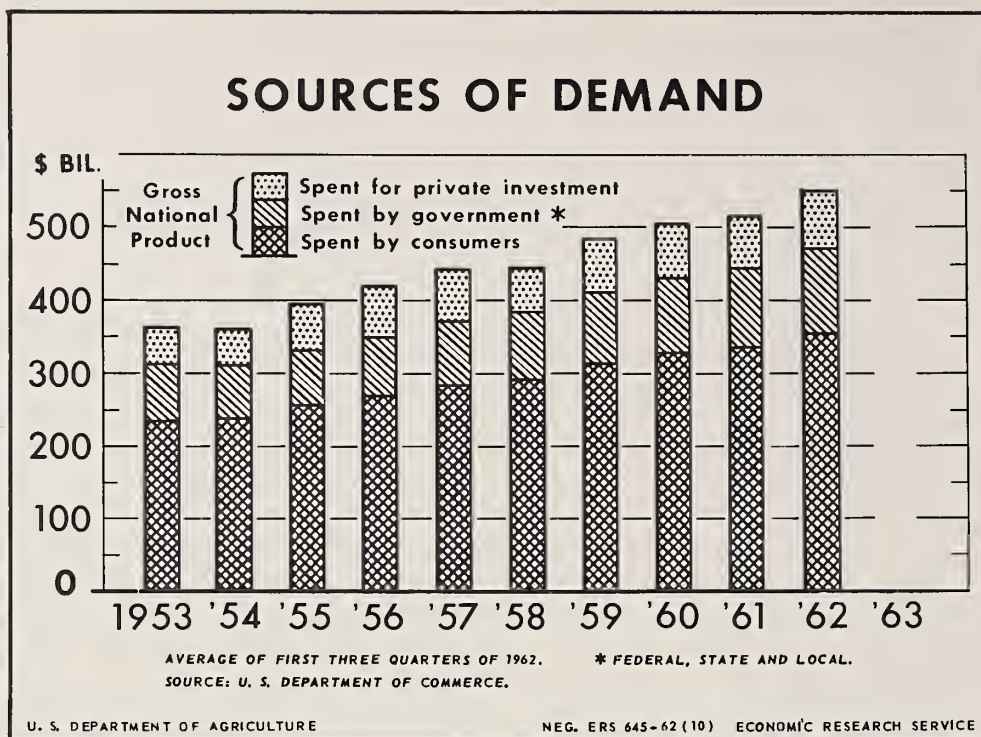


FIGURE 1

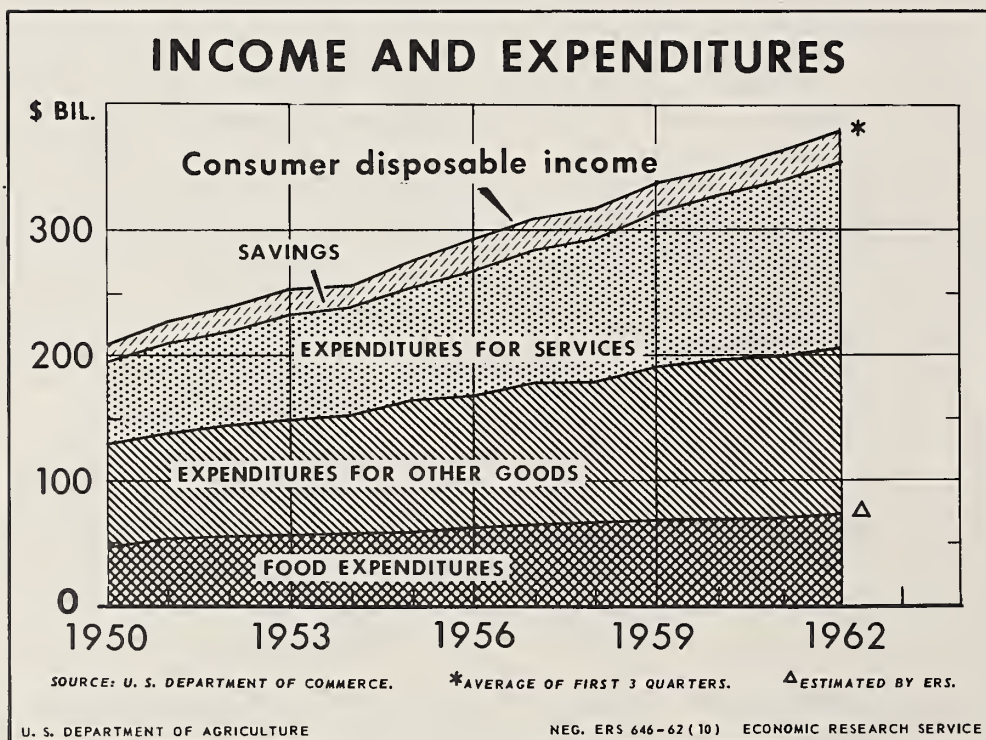


FIGURE 2



incomes leveled off in the July-September period. Unemployment continued at around  $5\frac{1}{2}$  percent of the labor force and a number of major industries were operating below capacity. Despite this slackening, the value of goods and services produced in the third quarter was at a rate nearly  $6\frac{1}{2}$  percent above a year earlier and consumer disposable incomes were 5 percent higher.

Let us consider briefly each major source of demand which shaped the rise over the past year, as well as the recent slowdown in economic activity. The Gross National Product in the third quarter was at a rate \$33 billion above a year earlier. A little more than half this gain--\$17.5 billion--was in consumer expenditures; Government purchases increased \$12 billion. Approximately half of the \$7 billion rise in fixed investment outlays was offset by smaller net exports and a reduction in the rate of inventory accumulation. (Figure 1).

#### Consumer Demand

Consumer purchases of goods and services, which account for about two-thirds of total expenditures, increased less than 1 percent in the third quarter to a level 5 percent above July-September 1961. Spending for services increased nearly 6 percent, continuing their persistent uptrend. Expenditures for nondurable goods, a large part of which are foods and apparel, increased 4 percent. Consumer expenditures for food are running about 4 percent above 1961 and outlays for clothing and shoes are about  $6\frac{1}{2}$  percent higher. It should be noted, that these increases reflect population growth as well as increases in processing and marketing services. They imply little change in per capita use of farm products. Purchases of durable goods, the most variable component of consumer expenditures, declined some in the July-September period but were still about  $6\frac{1}{2}$  percent above a year earlier. Sharply higher automotive sales--up more than a fifth from 1961--and larger purchases of furniture, household goods and other durables contributed to the increase. (Figure 2).

Gains in consumer expenditures accompanied a corresponding rise in consumer income and a small decline in the rate of personal savings. Part of the rise, particularly in purchases of durable goods, was financed as usual by increased use of consumer credit. But repayments on consumer installment credit continued at about 13 percent of personal disposable income.

#### Business Investment Demand

Business investment in fixed capital and inventories, the more variable components of total demand, are prime movers in changes in economic activity. Business outlays for new plant and equipment have continued to rise since the 1960-61 recession low in the second quarter of 1961. They are expected to total this year a record \$37.2 billion, 8 percent larger than in 1961. However, after adjustment for price changes, estimated real additions to plant and equipment in the past year were a little above the rate in the 1959-60 expansion, but below additions in the 1956-57 expansion. (Figure 3).

Thus, the recent increase in capital outlays has been moderate. Moreover, business surveys indicate that as much as 70 percent of the increase was for modernization and equipment; only about 30 percent for plant expansion.

However, supplies of goods continue generally plentiful and some basic industries, particularly autos and transportation equipment, have been operating well below capacity. Manufacturers new orders for durable goods have fluctuated recently at a level below rates earlier this year. Part of the decline was associated with the cutback in orders for steel as inventories were worked down. Order backlogs have also been reduced as sales exceeded new orders placed with manufacturers.

The ability of business to invest has improved during the past year. Corporate profits after taxes this year are relatively stable at a level more than a fourth above the recession low in early 1961. Gross business savings--undistributed corporate profits and capital consumption allowances--in the second quarter were at a rate of \$57.6 billion, \$7½ billion above first quarter 1961. This gain was double the increase in business outlays for new plant and equipment.

Farm investment outlays for new buildings and machinery and equipment may total in 1962 around 7 percent above 1961. Output of farm machinery and equipment and manufacturers shipments of tractors and other farm equipment in the first half of 1961 totaled around 3 percent above a year earlier. But output of farm machinery and equipment in July and August was nearly a third above the same months of 1961.

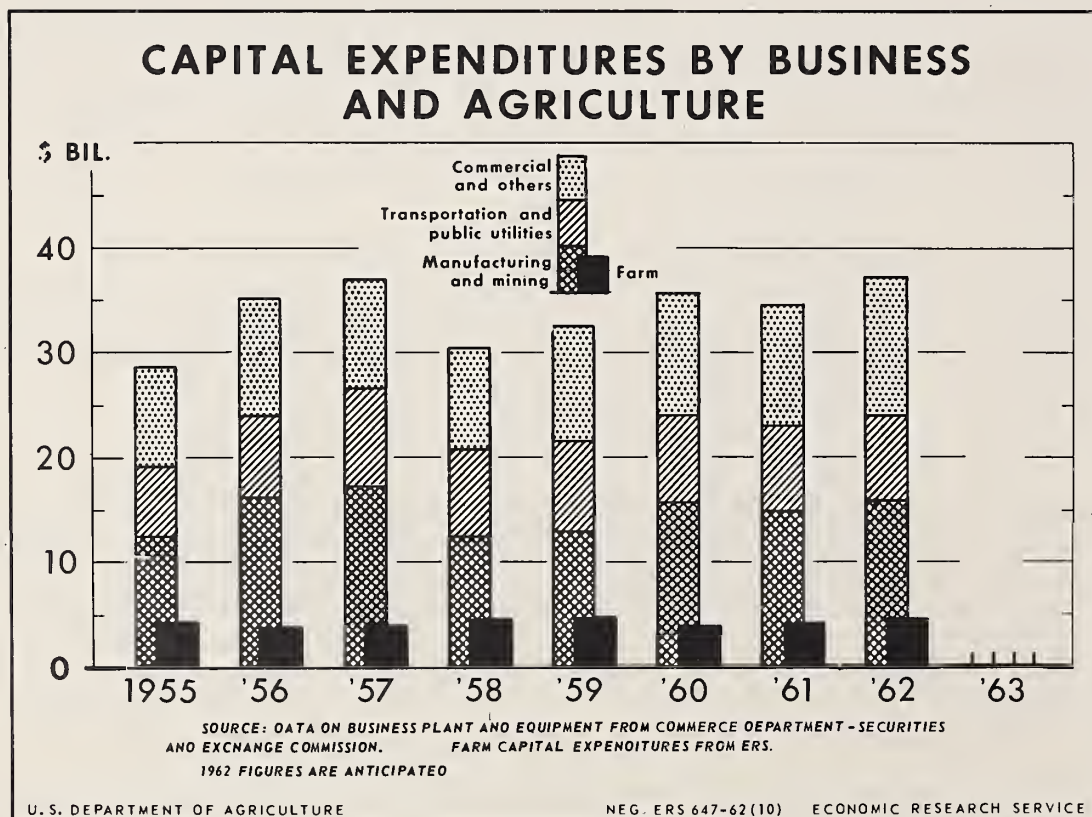


FIGURE 3



Business inventories are responsive to the changes, as well as the anticipated changes, in economic activity. Accordingly, they usually materially influence variations in demand and in the Gross National Product. Due largely to a build-up and subsequent decline in stocks of steel, business inventories grew at a rate of nearly \$7 billion annually in the first quarter of 1962, but were down to a rate of \$1½ billion by the third quarter. Inventories now are relatively low and appear generally well balanced compared to sales.

Residential construction rebounded from a low last February. Through the spring and summer private housing starts held around an annual rate of 1.5 million units. New home starts for 1962 as a whole probably will exceed 1.4 million units, around 6 percent more than in 1961. Expenditures for residential construction this year total 13 percent above the first three quarters of 1961. Increased demand for new homes reflects a rise in new families of about 1.3 million from 1961 to 1962, rising consumer incomes, and a decline in mortgage interest rates. Due in part to the uptrend in number of younger families and to tax advantages, apartment construction has risen in recent years and in 1962 may equal about a third of total housing starts.

### Government Demand

Government purchases of goods and services, the third major source of demand, usually take around a fifth of all goods and services produced. These purchases contributed \$12 billion of the \$33 billion rise in the Gross National Product from third quarter 1961 to 1962. Federal purchases in the third quarter

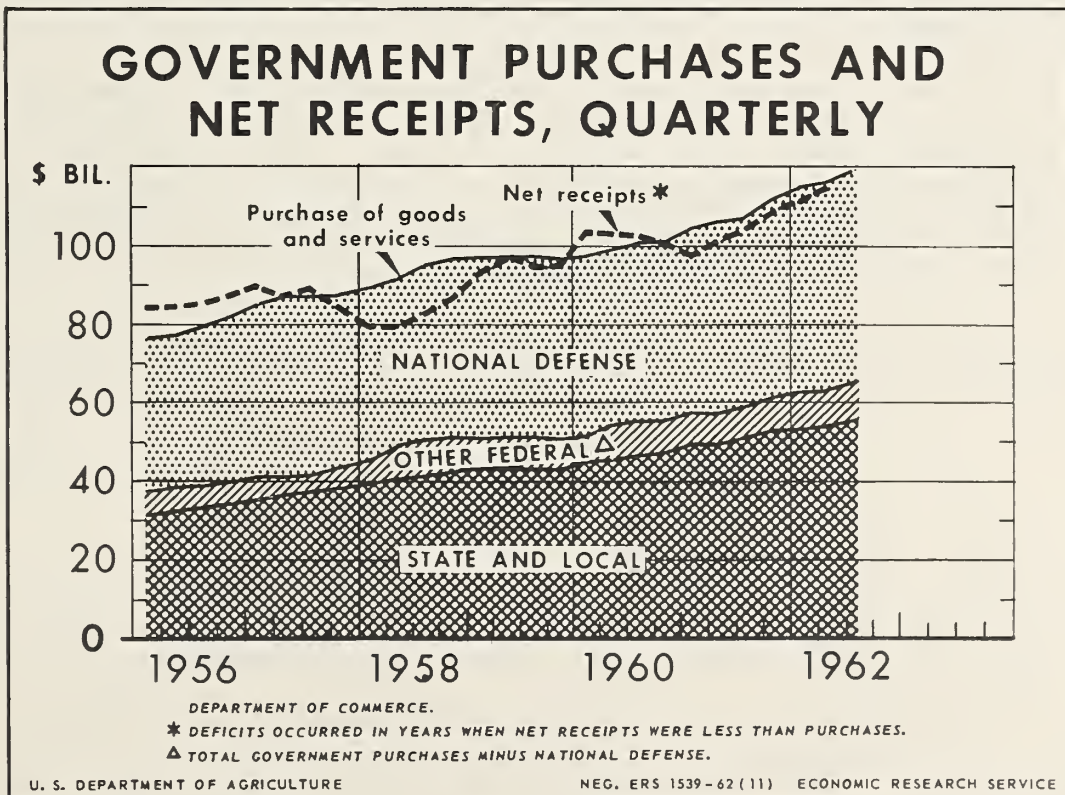


FIGURE 4



were at a rate of \$63 $\frac{1}{2}$  billion, \$7 billion above a year earlier. Most of this rise was for defense and space activities. Outlays by State and local governments were up more than \$5 billion, reflecting growing demands for services, schools, roads and other public facilities. (Figure 4).

Government revenues also rose with the expansion in economic activity and rising incomes and profits. The deficit on the national income and product accounts was down to a rate of \$1.0 billion in the second quarter this year from an annual rate of nearly \$7.0 billion in first quarter 1961. Rising revenues and the reduction in the deficit greatly moderated the impact on the economy of increased Government purchases.

#### Output, Employment and Prices

Output and employment trends largely mirror the changes in demand outlined above. The real gross output of the economy rose by less than 1/2 percent in the third quarter. Industrial production and employment also rose less than 1 percent from the second quarter. Compared with a year ago, both real gross output and industrial production in the third quarter were about 5 to 6 percent above a year earlier. Employment increased around 2 percent and the length of the work week about 1 percent. These rough approximations and the rise in gross output imply a further gain in productivity per man hour. Hourly earnings in manufacturing industries rose 2 $\frac{1}{2}$  percent from the third quarter of 1961 accompanying the increase in productivity and contributing materially to the rise of around 5 percent in consumer disposable incomes during the past year.

Price trends of the past year reflect adequate supplies of most goods as well as excess capacity in some major industries. The recent expansion in demand has exerted little upward pressure on prices. The consumer price index in July-September was around 1 percent above a year earlier; commodity prices were fractionally higher; services were up about 2 percent. Wholesale prices held relatively steady; fractionally higher in total due mostly to the small increase in prices of farm products and processed foods.

Monetary policy has been oriented toward a relatively easy long-term credit situation with comparatively low interest rates and adequate supplies of investment funds. At the same time, it has been necessary to maintain short-term interest rates in order to limit the outflow of short-term capital. Interest rates on Treasury bills have been stabilized this year and yields on longer-term bonds and FHA mortgages have been reduced.

The reduced outflow of capital has helped to improve the balance of payments deficit in the past 2 years. Government grants to foreign countries have remained somewhat above earlier years, while the private capital outflow has been reduced. Measures also have been taken to reduce military expenditures abroad and limit the impacts of foreign aid expenditures on the balance of payments. A slowdown in economic activity in some industrialized countries may limit the attraction for U. S. capital. And rising costs in major exporting countries should help to improve the competitive position of U. S. exports. A slackening in U. S. economic growth will tend to limit imports. Nevertheless, the balance of payments problem will likely be with us in 1963.

## General Economic Outlook For 1963

The slackening in economic activity this summer and recent mixed trends in major business indicators give rise to some concern about coming months and 1963. However, the 1961-62 expansion in business activity and the recent slowdown have not led to serious excesses or imbalances in inventories, fixed capital, or consumer buying. There appears to be a firm underpinning in the economy but no indication of a strong expansion in demand. The scheduled rise in Government purchases is expected to be the major expansionary influence on the economy in 1963. In building up the outlook for 1963, let us consider the major demand sources in a reverse order beginning with the Government.

### Government Sector

Government purchases will continue to rise in the coming year. Previously scheduled increases plus new legislation now indicate that purchases by the Federal Government in 1963 may total \$4 to \$4½ billion above 1962. Most of the increase will be due to increased spending for national security and space activities. New legislation may add around ¾ billion dollars to the rate of Federal spending. New programs include the \$900 million for accelerated public works in depressed areas and \$600 to \$700 million (annual rate) for the new Federal pay bill. Appropriations also were increased for the public roads program. This increase will affect both Federal and State and local purchases. The uptrend in expenditures by State and local governments will continue and may accelerate some in 1963. Growing demands for schools, hospitals, roads, other facilities, and services are expected to result in an increase in spending of more than \$4½ billion. Thus, combined Government purchases of goods and services in 1963 may total \$8 to \$9 billion above this year. (Figure 4).

Some reduction in revenues will result from stepped-up depreciation allowances under the new guidelines and the 7-percent tax credit for new investment. However, Social Security taxes are scheduled to increase about \$2.0 billion per year beginning next January--about \$1 billion each from employers and employees. Prospective increases in economic activity, under present programs, suggest some further rise in total government revenues in calendar 1963. But expenditures are expected to increase more rapidly than revenues.

### Investment Demand

Business spending for new plant and equipment may be rather sluggish in coming months. Recent slackening in total demand, excess productive capacity in some basic industries, little change in new orders, and some reduction in order backlogs all point to a lack of vigor in business investment demand. But demand may strengthen in the latter part of 1963, particularly in view of added incentives and prospects for some increase in economic activity. Except for steel and transportation equipment, recent operating rates for most industries were within a few percentage points of production rates preferred by manufacturers. Business outlays for new capital in 1963 probably will exceed expenditures this year. The recent McGraw-Hill survey of business



capital investment plans for 1963 points to a small increase in capital outlays. Investment by manufacturing industries is indicated very little higher. But the uptrend in capital outlays by the trade, service, and communication industries probably will continue in 1963. These industries accounted for about one-third of total expenditures for new plant and equipment in 1962. (Figure 3).

Capital financing is not expected to be a limiting factor in 1963. New depreciation guidelines, and the tax credit on investment increase funds available for financing new investment. A sizable cut in corporate and personal taxes would expand total demand, increase earnings, and provide added incentive for expanding capital expenditures.

Business inventories are generally well balanced relative to demand, production capacity is adequate, and stocks apparently are well controlled. There is nothing in the domestic business picture to suggest a sharp turn up or down in inventories. Inventory-sales ratios at retail are a little below a year ago; about the same at the wholesale and manufacturer level. Businessmen anticipate some increase in inventories in coming months. Current production rates for autos also may result in some stock buildup from the relatively small end-of-year stocks of 1962 models.

Housing demand in 1963 likely will maintain residential building close to levels this year. A relatively high rate of new family formation will continue in 1963. **Rising numbers** of young people in the marriageable age groups point to an upward trend in the annual increase in new families. Consumer incomes also are expected to rise some in 1963. Continued ample supplies of mortgage funds and the reduced mortgage interest rates are in prospect for 1963.

#### Nonconsumption Outlays and the Gross National Product

Indicated increases in nonconsumption purchases by Government and business point to a modest gain in economic activity in 1963. This reflects prospects for a high level of investment outlays and a continued rise in Government purchases of goods and services. The increase in nonconsumption spending usually steps up output, employment and incomes sufficiently to result in an approximately equal increase in consumer purchases. Accordingly, an increase in nonconsumption spending usually results in an increase in the GNP about twice as large. This is an oversimplified illustration of a multiplier of 2.0 which approximates changes from the third quarter 1961 to 1962. It should be noted also that in postwar economic cycles, when economic activity stabilized or even declined moderately, consumer income and expenditures were well maintained and in some instances increased slightly. This has tended to moderate swings in total economic activity in postwar business cycles. (Figure 5).

Thus, barring any substantial change in international tensions, a modest gain in economic activity and consumer expenditures is indicated for 1963, though there may be periods of little change in some indicators of business activity. Prospects for another good auto year and high residential construction activity are expected to maintain the demand for durable goods. Further increases in expenditures are in prospect for food and other nondurable goods. And the long-term uptrend in demand for services will continue in 1963. These demand changes sum to a moderate rise in consumer buying next year; a rise which would accelerate if there is a reduction in taxes on personal incomes.



Output increases implied by the moderate expansion in demand in view would be smaller than during the past year. Some further rise in employment is expected, particularly later in the year. However, with rising productivity and further increases in the labor force, unemployment may not show significant improvement from the rate in recent months. Hourly earnings in manufacturing industries in the third quarter averaged more than  $2\frac{1}{2}$  percent above a year earlier and a continued rise is in prospect for the coming year. Gains in employment and earnings would result in an increased flow of income to consumers. This moderate rise in economic activity indicated for 1963 is not expected to exert upward pressure on prices. Thus, the general price stability of recent years may well continue in 1963.

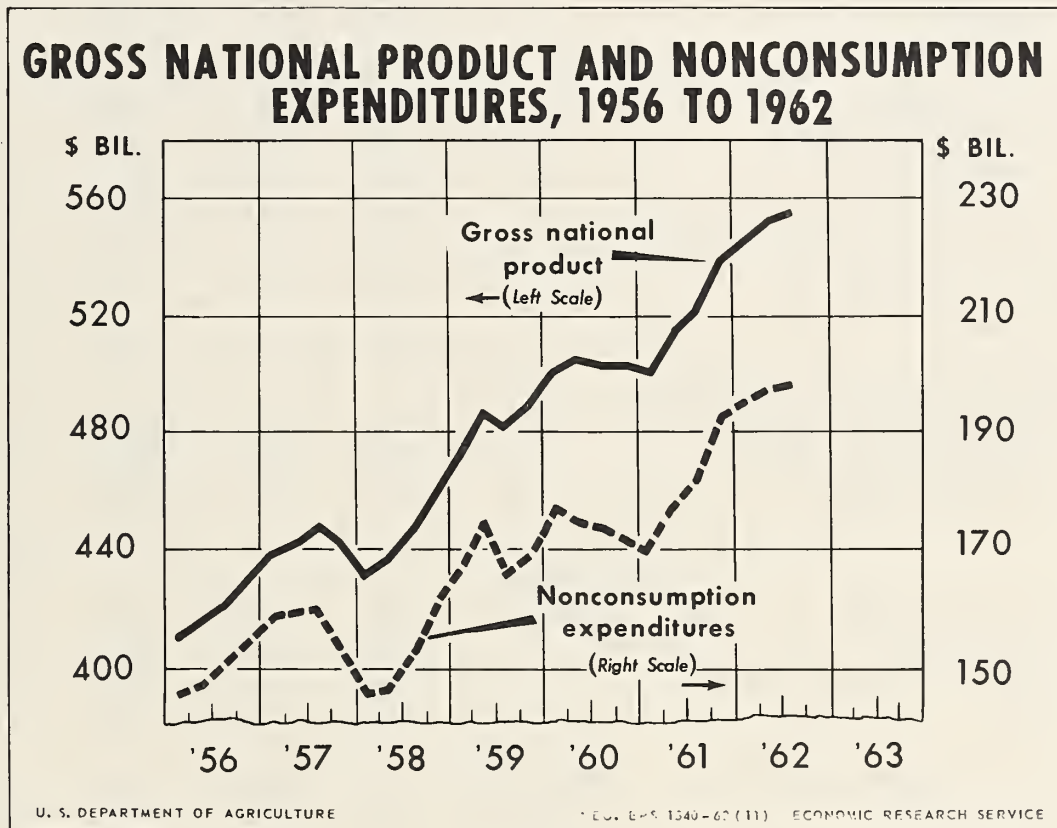


Figure 5

Gross National Product, output, employment and  
prices, selected quarters 1961 and 1962

(Seasonally adjusted annual rates)

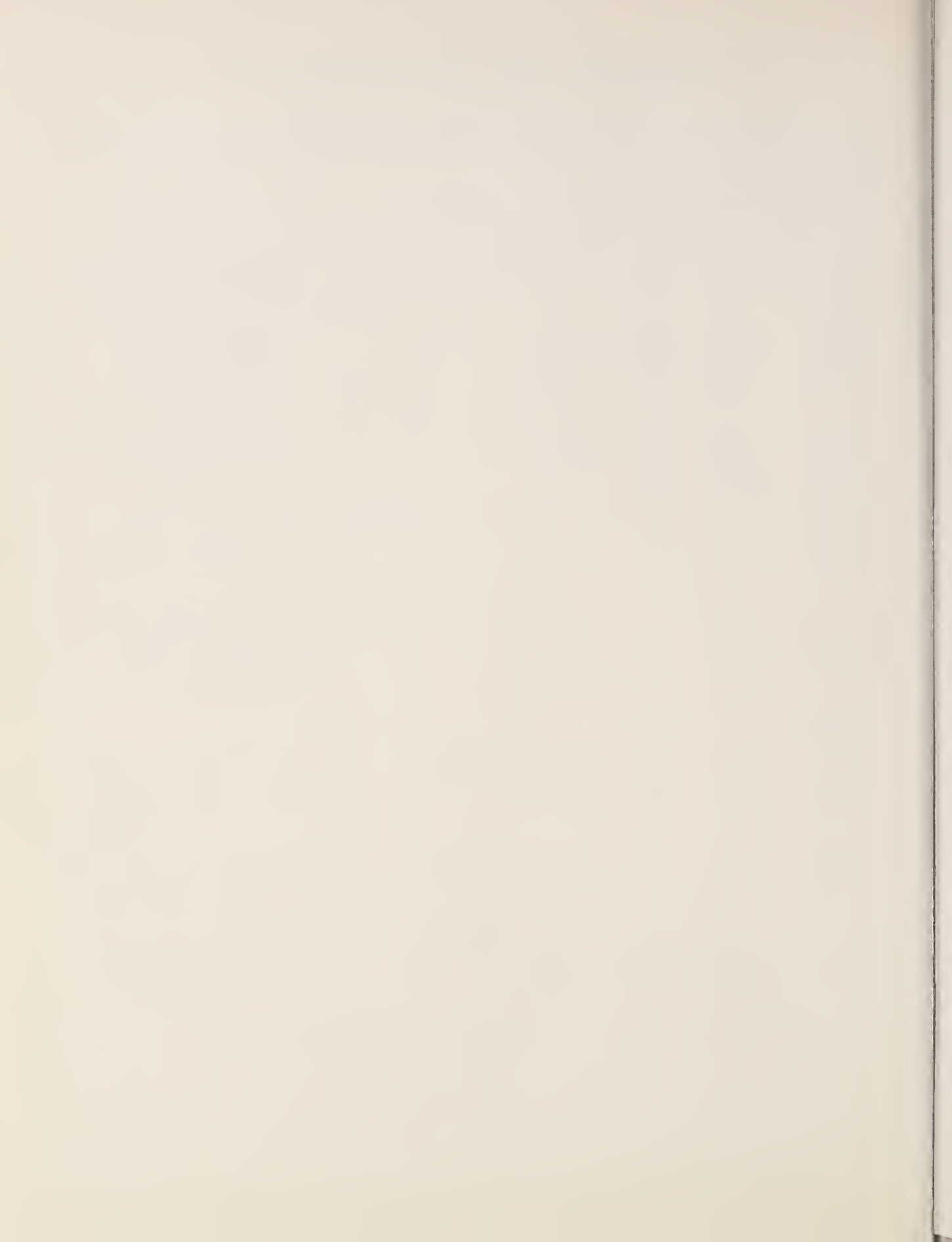
Item	Unit	1961	1962		Net change 3rd quarter 1962 from 1961
		3rd quarter	2nd quarter	3rd quarter	
Gross National Product	Bil.dol.	522.3	552.0	555.5	33.2
Personal consumption expendi- tures	"	340.1	354.9	357.5	17.4
Durable goods	"	44.0	47.2	46.8	2.8
Nondurable goods	"	156.2	161.3	162.6	6.4
Services	"	139.9	146.3	148.1	8.2
Fixed investment	"	68.4	73.4	75.5	7.1
New construction	"	42.6	44.5	46.1	3.5
Residential	"	21.9	23.3	24.3	2.4
Other	"	20.7	21.2	21.8	1.1
Producers' durable equipment	"	25.8	28.9	29.4	3.6
Business inventories	"	4.0	4.0	1.5	-2.5
Net exports	"	2.8	3.7	2.0	-0.8
Government purchases of goods and services	"	106.9	116.0	119.0	12.1
Federal (less sales)	"	56.5	62.1	63.5	7.0
State and local	"	50.4	54.0	55.6	5.2
					Percent
	Index				
Industrial production	1957=100	112	118	119	6.2
Consumer goods	"	119	124	124	4.2
Equipment, including defense	"	105	113	117	11.4
Materials	"	110	115	116	5.5
Employment, nonagricultural	Millions	61.3	62.6	63.0	2.8
Unemployment rate	Percent	6.9	5.5	5.6	-18.8
Prices	1957-59=				
Consumer price index	100	104.4	105.2	105.7	1.2
Wholesale prices	"	100.0	100.2	100.7	.7
Industrial	"	100.6	100.8	100.7	.1

—  
lge  
er  
m  
—

t  
—

—





Pennock

UNITED STATES DEPARTMENT OF AGRICULTURE  
Agricultural Research Service

PLANNING AHEAD FOR THE BUYING OF MAJOR EQUIPMENT

Talk by Jean L. Pennock  
Consumer and Food Economics Research Division  
at the 40th Annual Agricultural Outlook Conference  
Washington, D.C., 10:00 A.M., Thursday, November 15, 1962

For most of us, the buying of major equipment involves planning ahead. We either save for these things in advance or we buy on credit and pay in installments with interest. But even installment buying involves some planning. If we don't plan ahead we may find ourselves in the unfortunate position of needing or wanting to buy several major items at one time at a cost in installments that puts too great a strain on current income.

Once we have faced up to the necessity for budgeting for these major purchases, to carry through we must know how much money will be needed and when it will be needed. The Consumer and Food Economics Research Division has been working on the problem of "when it will be needed" as part of its program of research contributing to the development of family budgets and budgeting aids. <sup>1/</sup> I am referring to our investigation of the service-life expectancy of household goods. If we can tell the consumer how long a piece of equipment normally lasts, he can plan ahead for its replacement and is less likely to be caught short by an unexpected need.

I say "less likely" for life expectancy figures are averages and like all averages conceal a considerable amount of variation. In our work on replacement rates we have looked both for the all-inclusive averages--these are shown in table 1--and for the factors that cause the variation. To the extent that we can locate these factors and measure their effect, we can give the consumer a more precise and useful tool with which to budget.

One of our fundamental premises in this work is that a very important source of this variation lies in the owner and user of the equipment. In many cases he makes a decision to take the equipment out of service before its full potential for service is exhausted. The used car lot, the second-hand store and the pieces of "rebuilt" equipment on display beside new items testify to this turnover.

The budget maker needs to take this fact into account. He needs to know, not how long a piece of equipment can be made to last, but how long people like him usually keep it.

To build the human element into our estimates of replacement rates we have developed them on the basis of the experience of equipment in actual use. We have constructed actuarial tables from data obtained in household surveys. <sup>2/</sup> These tables pertain to service under one owner. If the item

---

<sup>1/</sup> Carol M. Jaeger, mathematical statistician, is coleader with the writer on this project.

<sup>2/</sup> The data have been collected for the Division by the U.S. Bureau of the Census in conjunction with its Current Population Surveys.

was reported in sufficient numbers to support the calculations, we have developed two estimates of service-life expectancy--one for items new when they were acquired, one for items used by an earlier owner.

Table 1 shows all the estimates of service-life expectancy that we have developed at the all-households level and chart 1 gives a quick impression of the range for major household equipment.

The standard errors, which are also shown on table 1, give an indication of the reliability of these estimates. The larger the standard error in relation to the estimate of service-life expectancy, the greater is the variability in the original data and the less firm, therefore, is our estimate. We are much more sure of our findings on automobiles, the estimate that has the lowest relative standard error for new items (4 percent), than on clothes dryers, the estimate with the largest (21 percent).

Most of the goods studied have standard errors for items acquired new of 12 percent or less. This level of reliability we consider quite satisfactory. For all goods except automobiles the standard errors are larger in proportion to the estimates of service-life expectancy for items acquired new than for those acquired used. The number of observations influences the size of the standard error, and only on the automobile did we get more reports on used than on new items.

We have also given you on table 1 the date the basic data were collected. We show this because we believe that service-life expectancy changes over time as income level, needs and preferences of families, and the design and construction of the goods change. If you will look at the estimates for the five items for which we have collected data twice--the two types of washing machines, two types of ranges, and refrigerators--you will observe that the second collection in each case has resulted in an estimate of longer life than the first. None of these differences is greater than could occur by chance but they are all in the same direction, as are also the preponderance of some other comparisons not shown here. The weight of this accumulated evidence is beyond the likelihood of chance occurrence.

Whether the estimated life span will continue to lengthen we do not know. The pattern of change over time is one of the things we need to know more about. Until we find out what this pattern is, the most recent estimate is the one we would recommend using.

I said earlier that our hypothetical budget-maker needed to know how long things last for people like himself. We started out looking for the "people like him" in actual physical groupings, first classifying households as urban or rural and within rural as farm or nonfarm. This did not give us differences that were statistically significant so we tried regional groupings. Again we found no differences greater than could be explained by chance. In our last collection, when we were getting information on automobiles, we also asked the age and sex of the principal driver, and here we hit pay dirt.

Chart 2 tells the story for used cars and their drivers. Women tend to keep used cars longer than men, and among men older persons tend to keep them longer than younger. These differences are greater than can be



attributed to chance. The same pattern shows up for new cars and for women drivers (table 2) but most of the differences in these groups do not test out to be significant. I mentioned before that there are more used than new cars, and there are, of course, more men than women drivers. It is possible that if we had data on more new cars and on more cars whose principal drivers were women, these patterns would be significant, too.

We now think it highly probable that much of the variation in the life span of equipment is directly or indirectly related to characteristics of the owners or users. The effect of the age of the head of the household on the life expectancy of other types of equipment should be looked into. It also seems probable that the effects of family income, family size and family composition would be fruitful fields for investigation.

There is still another related field that needs exploration--the effects of individual preference or choice on service-life expectancy. I would like to tell you about two pieces of work in this field, one producing just a glimmer of light and the other showing, I think, a real effect of choice, although the interpretation is debatable.

Two of the pieces of equipment we have studied--ranges and refrigerators--are sometimes bought with the house. When they are acquired in this way, they may not be the kind or quality the purchaser would buy if he set out to buy a range or refrigerator rather than a house that incidentally had this equipment in it. If they do not meet his needs and preferences, will their service life then be shortened? We found an indication that this will happen, but since we were working with rather small numbers, we cannot be sure. We found that used gas ranges bought with the house appear to have a shorter life expectancy than those bought separately. We did not get enough reports on either new gas ranges or electric ranges bought with the house to construct estimates from them.

Our other evidence on the effect of choice concerns automobiles. On chart 3 you see that new American-made cars are driven for an appreciably longer time than are new foreign cars. Before we can attribute this difference in their life spans to a real difference in the cars, we need to know more than we now know. The data on the effect of the age of the driver suggests that we find out whether the drivers of foreign cars tend to be younger than the drivers of American-made cars. I think the personal preferences of the drivers may also be an important factor. It can be argued that the desire to have the latest fashion is stronger in the buyer of a foreign car than in the buyer of an American model, that he is frequently buying a status symbol. This motivation would require that he trade in his car frequently so that he always has a recent model. The buyer of a used car, on the other hand, is more likely to be buying transportation rather than a status symbol. You will notice that there is much less difference between the service-life expectancy of American and foreign cars when they are used than when they are new.

This difference in the service-life expectancy of new American and foreign cars we discovered by setting up service-life expectancy tables for the two different types of cars. If my hypothesis as to the reason

for the difference is correct, we could have developed tables showing much the same difference by grouping drivers according to their motivation in buying the car although information on motivation would be difficult to obtain. But if we are to tell the budget-maker how long things last for his kind of people, we must find out one way or another what factors make the differences and measure their influence.

In the meantime we think that the budget-maker will find considerable help in the figures in this paper. If he knows that the life expectancy of a new refrigerator, for example, is 16 years, he knows that the chances are that in about 16 years he will have to replace the refrigerator he has just bought. Or if he is the owner of a refrigerator approaching that age, he knows it would be wise to make provision for its early replacement.

Table 1.--Service-life expectancy, under one owner, of selected items of household equipment and furnishings and automobiles

Item and collection date	New when acquired		Used when acquired	
	Service-life expectancy	Standard error <u>1</u> /	Service-life expectancy	Standard error <u>1</u> /
	(Years)	(Percent)	(Years)	(Percent)
Washing machines, electric:				
Automatic and semi-automatic:				
December 1957 .....	11	10	5	15
January 1957 .....	9	10	5	14
Wringer and spin-dryer:				
December 1957 .....	10	10	6	11
January 1957 .....	9	10	5	10
Clothes dryers, electric:				
May 1961 .....	14	21	--	--
Refrigerators, electric:				
May 1960 .... ..	16	8	8	11
January 1957 .....	15	8	8	10
Freezers:				
May 1961 .....	15	11	11	21
Ranges:				
Electric:				
June 1959 .....	16	12	8	13
January 1957 .....	15	12	6	14
Gas:				
June 1959 .....	16	10	9	12
January 1957 .....	15	10	8	12
Vacuum cleaners:				
Upright:				
December 1957 .....	18	14	8	15
Tank:				
December 1957 .....	15	12	--	--

See footnotes at end of table.



Table 1.--Service-life expectancy, under one owner, of selected items of household equipment and furnishings and automobiles (continued)

Item and collection date	New when acquired		Used when acquired	
	Service-life expectancy	Standard error <u>1</u> /	Service-life expectancy	Standard error <u>1</u> /
	(Years)	(Percent)	(Years)	(Percent)
Sewing machines:				
Electric:				
June 1959 .....	24	13	16	17
Treadle:				
June 1959 .....	--	--	13	12
Toasters:				
Automatic:				
June 1959 .....	15	8	8	15
Nonautomatic:				
June 1959 .....	7	15	4	16
Television sets: <u>2</u> /				
May 1960 .....	11	7	6	12
Living room wool rugs: <u>3</u> /				
December 1957 .....	14	10	10	13
Automobiles: <u>4</u> /				
May 1961 .....	6	4	4	2

1/ Standard error of the service-life expectancy expressed as a percentage of the service-life expectancy.

2/ Alone or in combination with radios and/or record players. Portable and color sets are excluded.

3/ Limited to rugs 8 x 10 feet or larger, including wall-to-wall carpeting. In computing the service-life expectancy table, the transfer of a rug from the living room to another room has been classed as a removal from service. In other words, this estimate of service-life expectancy is limited to service in the living room.

4/ Excludes automobiles owned by corporation.

Table 2.--Service-life expectancy, under one owner, of automobiles by sex and age of principal driver and country of manufacture

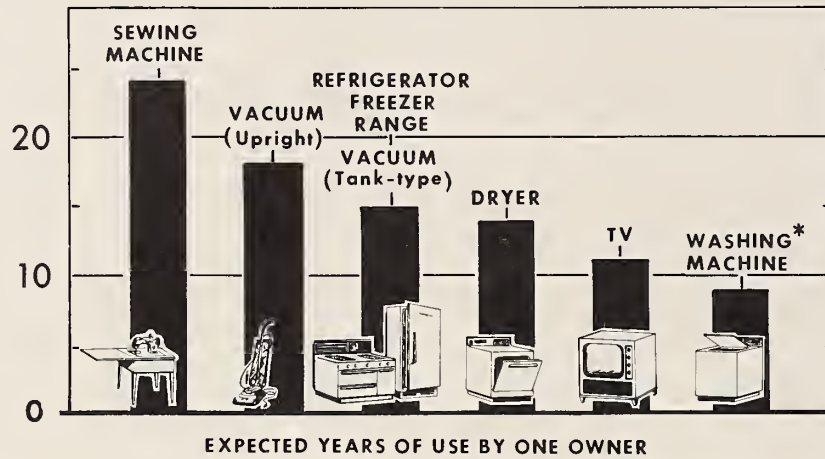
Classification	New when acquired		Used when acquired	
	Service-life expectancy	Standard error <u>1</u> /	Service-life expectancy	Standard error <u>1</u> /
	(Years)	(Percent)	(Years)	(Percent)
All <u>2</u> / .....	6.2	4	4.1	2
Sex and age of driver:				
All males <u>3</u> / .....	6.0	5	3.9	3
25-39 years .....	5.4	7	3.4	4
40-59 years .....	5.8	6	4.3	5
60 years and over .....	7.3	11	6.4	10
All females <u>3</u> / .....	7.0	7	4.9	6
25-39 years .....	6.3	11	4.2	12
40-59 years .....	6.9	9	5.5	10
60 years and over .....	7.8	19	--	--
Country of manufacture:				
U.S.A. ....	6.3	3	4.1	2
Other .....	3.9	13	3.7	17

1/ Standard error of the service-life expectancy expressed as a percentage of the service-life expectancy.

2/ Excluding automobiles owned by corporations.

3/ Includes age groups not shown separately.

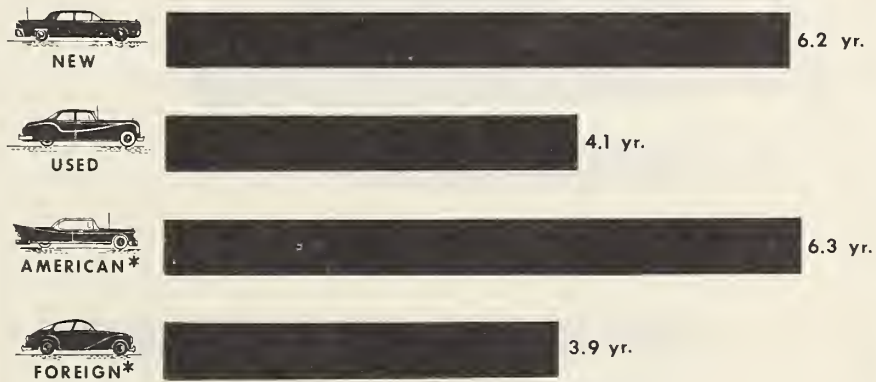
## LIFE OF APPLIANCES



NEW APPLIANCES ONLY; ELECTRIC OR GAS RANGES; OTHER ITEMS ELECTRIC ONLY.  
 \*AUTOMATIC OR OTHER.



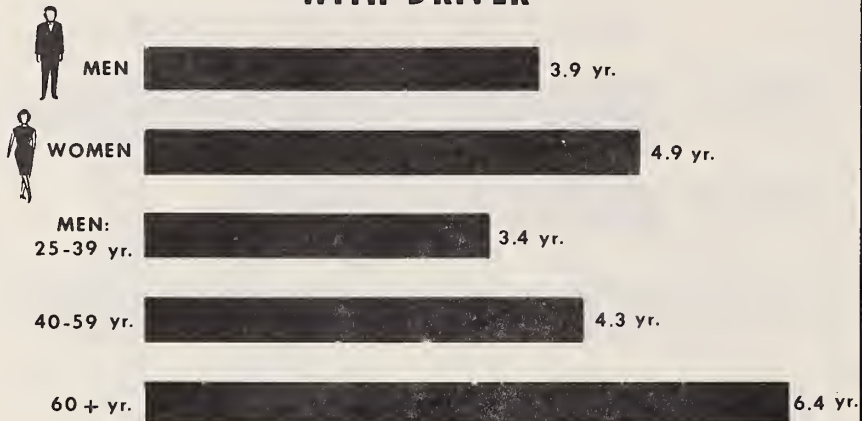
## CAR LIFE VARIES WITH CONDITION AND ORIGIN



EXPECTED YEARS OF USE BY ONE OWNER

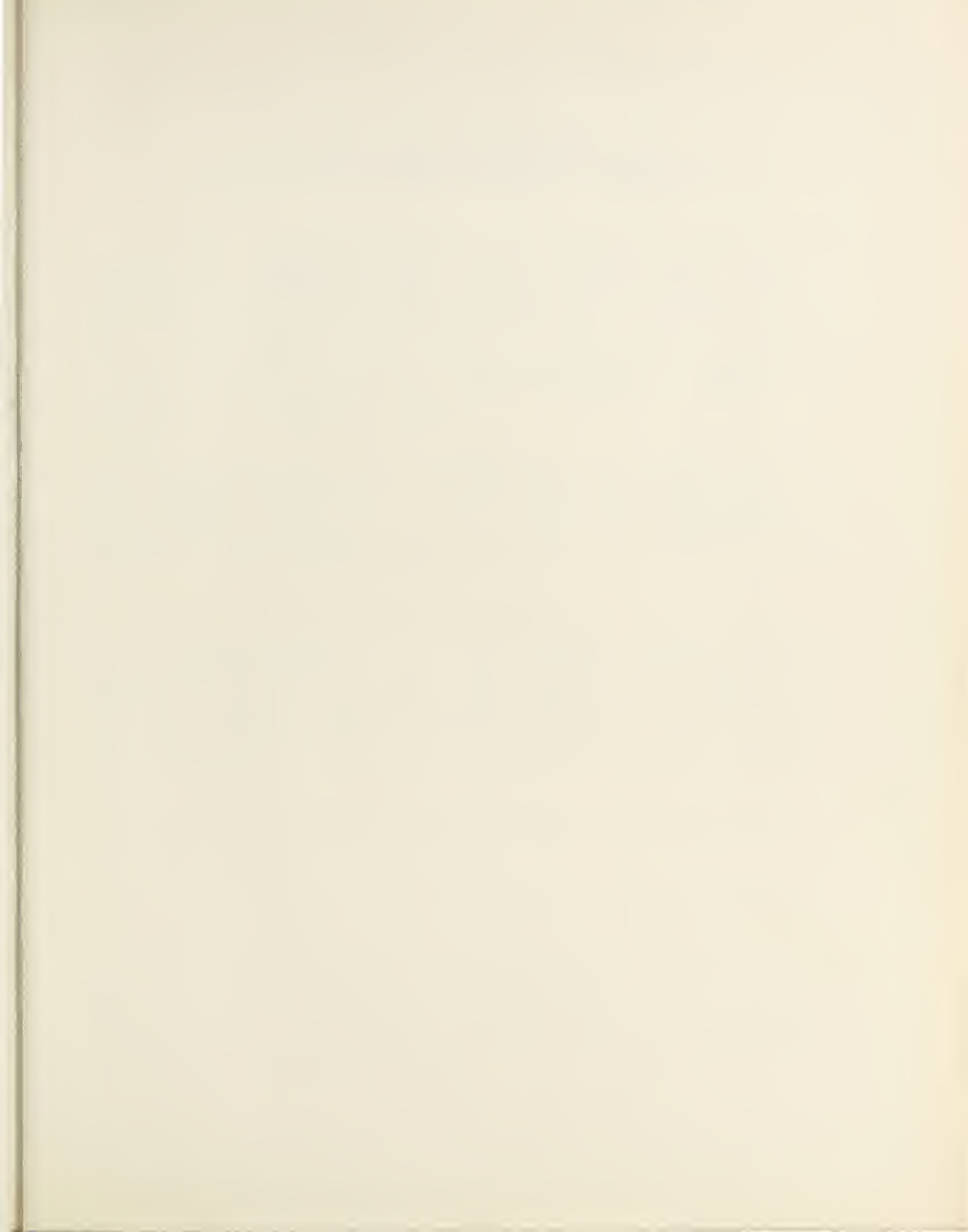
\* NEW CARS ONLY.

## CAR LIFE VARIES WITH DRIVER



EXPECTED YEARS OF USE BY ONE OWNER

USED CARS ONLY; PRINCIPAL DRIVER IF MORE THAN ONE.







UNITED STATES DEPARTMENT OF AGRICULTURE  
Agricultural Research Service

SOME CONSIDERATIONS IN BUYING PORTABLE COOKING APPLIANCES

Talk by Genevieve K. Tayloe

Clothing and Housing Research Division  
at the 40th Annual Agricultural Outlook Conference  
Washington, D. C., 10:00 A. M., Thursday, November 15, 1962

The number of separate automatic cooking appliances available to the homemaker is increasing each year. The bride receives many for gifts. Mothers acquire them for Christmas, birthdays, anniversaries. The sale of fry pans, alone, has been over 24 million since they appeared on the market in 1954. Questions some of you have been asking are: (1) How does the in-use performance of these automatic appliances compare with that of a range? (2) Could a combination of these appliances be substituted for a standard or built-in range? (3) What are the problems encountered in using and caring for these appliances?

We recently completed an exploratory study in the Equipment Laboratory at Beltsville in which we undertook to answer these questions. In Part One of the study, eighteen individual foods were cooked in automatic utensils and portable ovens and for comparison, in conventional utensils on electric ranges. In Part Two, meals were prepared from foods cooked individually in Part One.

Description of Equipment

The portable appliances selected as a possible substitute for the electric range and range-utensils included a 3-quart saucepan, a 5-quart sauce pot, a fry pan, and a portable oven. Two sets of appliances for top-of-range type of cooking were chosen; one made of cast aluminum and the other, stainless steel with aluminum-clad bottoms. Each appliance was equipped with a self-basting lid, a removable heat control and was completely immersible.

Two types of portable ovens were selected - the electric roaster-oven and the rotisserie-oven. Both rotisserie-ovens were designed to bake, broil, and do rotisserie cooking.

The electric ranges were two free-standing 30-inch deluxe models with 23 inch wide ovens. They were used with the non-automatic utensils.

Top-of-range utensils were comparable in capacity, material and shapes to the automatic utensils. At the time this study was initiated (1960) there were two manufacturers making both the automatic utensils and range-utensils. The aluminum automatic utensils and range-utensils were procured from one manufacturer and those of stainless steel with aluminum-clad bottoms from the other.

## Cooking Processes and Foods Cooked

Individual foods selected to compare performance-in-use characteristics of portable appliances with ranges represented the cooking processes a homemaker would expect these appliances to cook satisfactorily. We gave the appliances severe test jobs to do in the foods we chose (for example) making cream filling without a double boiler, frying chicken without a lid, baking meringues at a low temperature, and biscuits at a high temperature. The table below shows the cooking processes and the foods used to test the operating and cooking performance of the 3-quart saucepan and 5-quart sauce pot.

Appliances	Cooking process	Food cooked
3-quart saucepan	Simmering	Cream filling
	Boiling	Oatmeal (water only)
	Boiling-simmering	Boiled potatoes (whole)
	Boiling-simmering	Frozen green beans
	Deep fat frying	French-fried potatoes
5-quart sauce pot	Braising	Pot roast with vegetables
	Boiling	Spaghetti
	Minimum water	Fresh spinach
	(No water added)	

In the fry pan meat sauce, fried chicken and gravy were cooked to test frying and simmering and griddle cakes to test the baking process.

The next table shows the foods used to test the oven and broiler.

Cooking process	Food cooked	Oven temperatures °F
Baking	Meringue shells	250
	Two-layer cake	350
	Frozen apple pie	400
	Tube rolls	400
	Biscuits	450
Broiling	Cinnamon toast	
	Meat patties	



## Laboratory Controls

Standard recipes were followed and the quantity of food cooked was sufficient for six servings. Acceptability standards were judged by the laboratory staff. Cooking processes were manipulated until a product scored "good" or better. Standard laboratory procedures were used to control test conditions. All cooking operations were timed and records were kept of the electric energy used. Three replications of each food were made to collect operating data.

Analysis of variance was used to determine the differences among the data collected on operating characteristics.

## RESULTS

Now to answer the first question posed as the problem. How does the in-use performance of automatic appliances compare with the range? The automatic utensils and portable ovens required more time and less electric energy than the ranges.

Electric energy required to cook with portable appliances and ranges

Equipment	No. of foods cooked	Electric energy	
		Portable appliances	Ranges
		Kw. -hr.	Kw. -hr.
Utensils	11	3.56	4.41
Oven	5	3.64	4.29
Broilers	2	.77	1.36
Total	18	7.97	10.06

The second question -- could a combination of these appliances be substituted for a standard or built-in range? The answer is yes. You can do the same kinds of cooking with portable appliances that you can with ranges, and you can prepare entire meals with only portable appliances. We prepared two meals, each made up of some of the individual foods that had been in the first part of the study.

The two meals selected from the individual foods cooked are shown below.

Appliances	Meal-one	Meal-two
3-quart saucepan	Cream filling	Frozen green beans
	Boiled potatoes	
5-quart sauce pot	Fresh spinach	Spaghetti
Fry pan	Fried chicken	Meat sauce
	Gravy	
Oven	Meringue shells	Two layer yellow cake
	Biscuits	Tube rolls

Like the individual foods, the electric energy required by the portable appliances for preparing meals was less than the ranges. Since overlapping of cooking times occurred in meal preparation the time required to prepare, cook, and serve the meals was the same.

Let's assume these meals were cooked once a day for a year. The next table shows the total kilowatt hours and cost for cooking each meal 365 days.

Equipment	Electric energy		Cost per year	
	Per meal	Per year	2.5¢ Kw.-hr.	3.0¢ Kw.-hr.
	Kw.-hr.	Kw.-hr.	Dollars	Dollars
Meal One				
Ranges	2.83	1033	\$ 25.82	\$ 31.00
Portable appliances	1.94	708	17.70	21.24
Difference	.89	325	8.12	9.76
Meal Two				
Ranges	3.11	1135	\$ 28.38	\$ 34.05
Portable appliances	2.48	905	22.62	27.15
Difference	.63	230	\$ 5.76	\$ 6.90

How would the appliances compare in cost with a range? We used Sears Roebuck Company Fall and Winter, 1962 catalogue and came up with this comparison:

---

Portable Appliances

3 Utensils (cast aluminum)<sup>1/</sup>

Fry pan	\$ 21.25
3-quart saucepan	13.47
5-quart saucepan	16.47
Oven	64.95

---

Total	\$116.14
-------	----------

Range Utensils and Range

Utensils (extra heavy 10 gauge)

Fry pan	\$ 5.99
3-quart saucepan	3.99
6-quart saucepan	4.98

Range 30 inch --	\$149.95	to \$ 259.95
------------------	----------	--------------

---

Total	\$164.91	to \$ 274.91
-------	----------	--------------

---

<sup>1/</sup> Includes control and lid for each utensil.

Question three - What are the problems encountered in using and caring for the appliances?

Many of the automatic appliances today are "completely immersible". This is achieved by removable heat control plugs. These are usually priced separately and are interchangeable on all appliances made by one manufacturer. Although the controls are removable the instructions state "the heat control plug should remain connected to the appliance until the control cools completely". Therefore, when carrying the appliance from one location to another, such as to drain liquid from a vegetable at the sink, the cord has to be disconnected at the outlet and looped over the hand - a very awkward procedure. The controls on some appliances are located beneath the handles. This interferes with ease of seeing the thermostat markings. However, when located at right angles to the handle they interfere with pouring.

With the heating element brazed to the bottom of the pan, the area of the pan in contact with the heating element is at a higher temperature



than the surrounding area. As a result, some foods have a tendency to cling to this area and scorch unless the heat input is carefully controlled and food adequately stirred. Adherence of food to this area occurred when we cooked oatmeal and cream filling in the 3-quart saucepans, spaghetti in the 5-quart sauce pot, gravy and meat for sauce in the fry pans. Although this occurred, it did not become a problem, because we watched and took care of it.

French frying potatoes in the 3-quart automatic saucepan proved to be a problem, in the fat-potato ratio recommended, because of the low wattage of the unit. When the cold potatoes were put in, the temperature of the fat dropped rapidly and not enough heat was available to bring the temperature back quickly. To remedy this, a smaller quantity of potatoes had to be used. The total cooking time was almost doubled.

Inserting and removing food from roaster-ovens is more difficult than from the range or rotisserie-ovens. In placing food in the pre-heated roaster-ovens it is necessary to remove the hot lid to the lid holder, place the food on the load-lift rack, place rack and food in roaster, and replace the lid. The reverse procedures have to be followed to remove the food.

The oven rack in some of the rotisserie-ovens is very light weight and tends to warp, especially at 400° and 450° temperatures. Also some of the shelf supports are so small, careful placement of the shelf is necessary.

The range broilers will accommodate 12 slices of cinnamon toast in one load, the portable ovens only six. This necessitates two operations in the portable ovens -- thus more time.

#### RECOMMENDATIONS

Results of this exploratory study indicate that, in general, a combination of automatic utensils and a portable oven may be used satisfactorily in place of a range, depending on the family size, amount of entertaining and the ability of the homemaker to modify management practices.

The bride receiving several automatic utensils as gifts can use them in place of a range until the budget permits purchasing the one of her choice. They may also be used in a summer cottage when the owner does not want to install a 3 wire 240 volt service entrance required for an electric range.

One or more of these utensils can supplement the range for surface cookery. For the homemaker whose range does not have the thermostatically controlled unit it provides controlled heat cooking.

The portable ovens may supplement the range during seasons when an extra oven would be convenient, such as, at Thanksgiving and Christmas. They may also be used on a porch or patio to prevent extra heat in the kitchen on a hot day.

#### OUTLOOK

Unfortunately, yearly sales figures are not available for the small electrical appliances studied with the exception of the electric fry pan. As previously stated the fry pan was introduced on the market in 1954 and reached its peak of sales in 1956 with 6,300,000 units. Since that time, sales have gradually leveled off. In 1961 there were approximately 2,500,000 sold. Although the sales of this item are gradually decreasing manufacturers apparently believe with 54% of wired homes not equipped with electric fry pan, that there is still a good market. This is evident by the increasing number of manufacturers who are adding electric fry pans to their lists. In 1961 there were 31 companies manufacturing fry pans, 22 griddles, and 10 saucepans. The manufacturers who entered the electric fry pan field in the first few years are now redesigning their appliances. for dual use, easier care and more attractive appearance for table service.

The small appliance field is a competitive one and one that competes for the "gift dollar". In fact, surveys made on the number of small appliances owned and frequency of use show that the largest percentage of appliances owned had been gifts. Each year new items are "pushed". Sales of electric corn poppers and can openers increased in 1961. This year, hair dryers and electric tooth brushes have been added to the list competing for the "gift dollar".

c  
c  
n

n  
p  
o  
F  
p  
r

L  
h  
i  
t

l  
n

8  
e  
i  
T  
F  
M

c  
i  
r  
t  
c

8

r  
i  
c  
a  
l  
e  
t  
a



Summary of Remarks by  
Mrs. Aryness Joy Wickens  
Economic Adviser, U. S. Department of Labor  
at the 40th Annual Agricultural Outlook Conference  
Panel Discussion on the National Economic Situation and Outlook  
Washington, D. C., 11:30 A.M., Tuesday, November 13, 1962

The outlook for employment, wages and prices is my portion of this panel discussion today. Before we look into our crystal ball for 1963, we should review the course of the recovery from the 1960-61 recession and see where the economy stands now.

This has been a substantial recovery. It has brought overall employment to new highs for the month every month this year - but still it has fallen short of providing the additional jobs needed to reduce unemployment much below 5.5 percent of the labor force. The unemployment rate has fluctuated around that level since February. While the decline from the recession rate of around 7 percent is impressive, 5.5 percent is not good enough. In the years 1955-1957 the unemployment rate was about 4 percent.

The recovery in employment has not been smooth. It has come in fits and starts. It began with a sharp rise in the first half of 1961, and then leveled off. 1962 has followed the same pattern. Nonfarm payroll employment rose by over one million in the first half of this year, but since June (to September) there has been practically no change except for the usual seasonal developments.

Taking a look back on the past two years, non-farm employment dipped by over 1.1 million in the recession of 1960-61. It has since risen by 2 million, and is now nearly a million greater than the pre-recession peak in May 1960.

But in what industries has the recovery come? First - Government, up by 800,000. This is largely employment in local Governments - very little represents either State or Federal hiring. The bulk of the increase is in educational activities. Next comes employment in services and finance, up 600,000, taken together. They kept right on hiring during the recession. Retail stores laid off some employees when business slackened, but they now have about 150,000 more than in May 1960.

Where are the laggards? First - manufacturing. Despite a very sharp increase - over three-quarters of a million from the recession low, factory employment still falls short of its 1960 high by 200,000. Mining and transportation, especially railroads, have continued their long-term reductions in employment. Even construction contractors, who have been very active in the past two years, have fewer employees than in the spring of 1960.

For farming, you know the story: Farm employment keeps on declining. In the past two years it has gone down by half a million, or about 10 percent.

I detail these changes for you because these general patterns are likely to prevail in 1963. Farming will employ fewer people, and a good many farmers and farm workers - and their sons and daughters - will be looking for work in different occupations and in different areas. You should help them to realize that the mines and the railroads, - even the factories (which will continue to employ millions of people and have more jobs in 1963) - are not the best places to look for jobs these days unless one has skill and training. Instead they should consider going into the service industries, - and educating their youngsters for technical, skilled, and professional occupations.

Now for 1963.

I am in agreement that 1963 will see a moderate gain in activity, but my own personal view is somewhat more optimistic than some I have heard here today. I think that this coming year will be a good year - with economic activity on a high and rising plateau. But, again, it will not be good enough, with a growing labor force, to reduce unemployment below present levels. In fact, if we assume an increase of \$22-25 billion in Gross National Product from the third quarter of 1962 to the third quarter of 1963, the rate of unemployment would fluctuate around 6 percent.

This assumes a growth in the labor force of around 1 to 1.2 million during the year, and productivity improvement about in line with postwar experience, say 2.5 to 3 percent. During the early phase of this past recovery, as in other similar periods, there was a sharp rise in output per man hour, followed by a leveling off.

I want to emphasize one point especially. All too often, the only fact which the public hears about unemployment is the unemployment rate. Now this can vary by a few tenths of a point in a short period because of variations in the labor force - more youngsters go to school, fewer women look for jobs. What matters most is long-term unemployment. Even now, after 20 months of recovery, and a high level of activity, the October employment report showed that there were still 900,000 people who had been out of work for 15 weeks or more-even after a sizable decline of some 400,000 over the year. Moreover, in October, about half of the long-term unemployment had been without work for over six months. It is to these people - and to the underemployed in farming areas - that we need to direct particular attention. Even if there were a much more pronounced economic recovery than we are today discussing, many of these men and women would still be out of work, for lack of skill or of education for the jobs of today, or because there are no opportunities where they live.

Turning now to two other aspects of the economy, wages and prices: Again, little change from the pattern of 1962 is expected.

Wage rates in non-agricultural industries may be expected to go up again by about the same dimensions as in 1962. During the first nine months of this year, major collective bargaining agreements in manufacturing and other key industries (excluding construction), have resulted in wage increases averaging about 3.2 percent of straight time hourly earnings, about the same as in 1961. This does not include the cost of fringe benefits, on which we do not have quantitative information. In construction the average percentage rise in union scales was about 3.5 percent, from a higher dollar wage than in manufacturing.

For 1963, wage increases for some 3 million workers are already agreed to, based on contracts negotiated earlier. Included in this group are employees in automobiles, farm equipment, and the aero-space and meatpacking industries, with increases of 2.5 to 3 percent or 6-7 cents an hour; trucking, with about 10 cents an hour, and construction at 10, 15 or 20 cents an hour. Some of these contracts also have cost-of-living escalator clauses, and if the Consumer Price Index were to rise by as much as 1 percent, it would add an average of about another 2 cents an hour in the industries affected.

Prices in primary markets are not expected to show much change in 1963, continuing a period of 4 years in which the Wholesale Price Index has moved within a

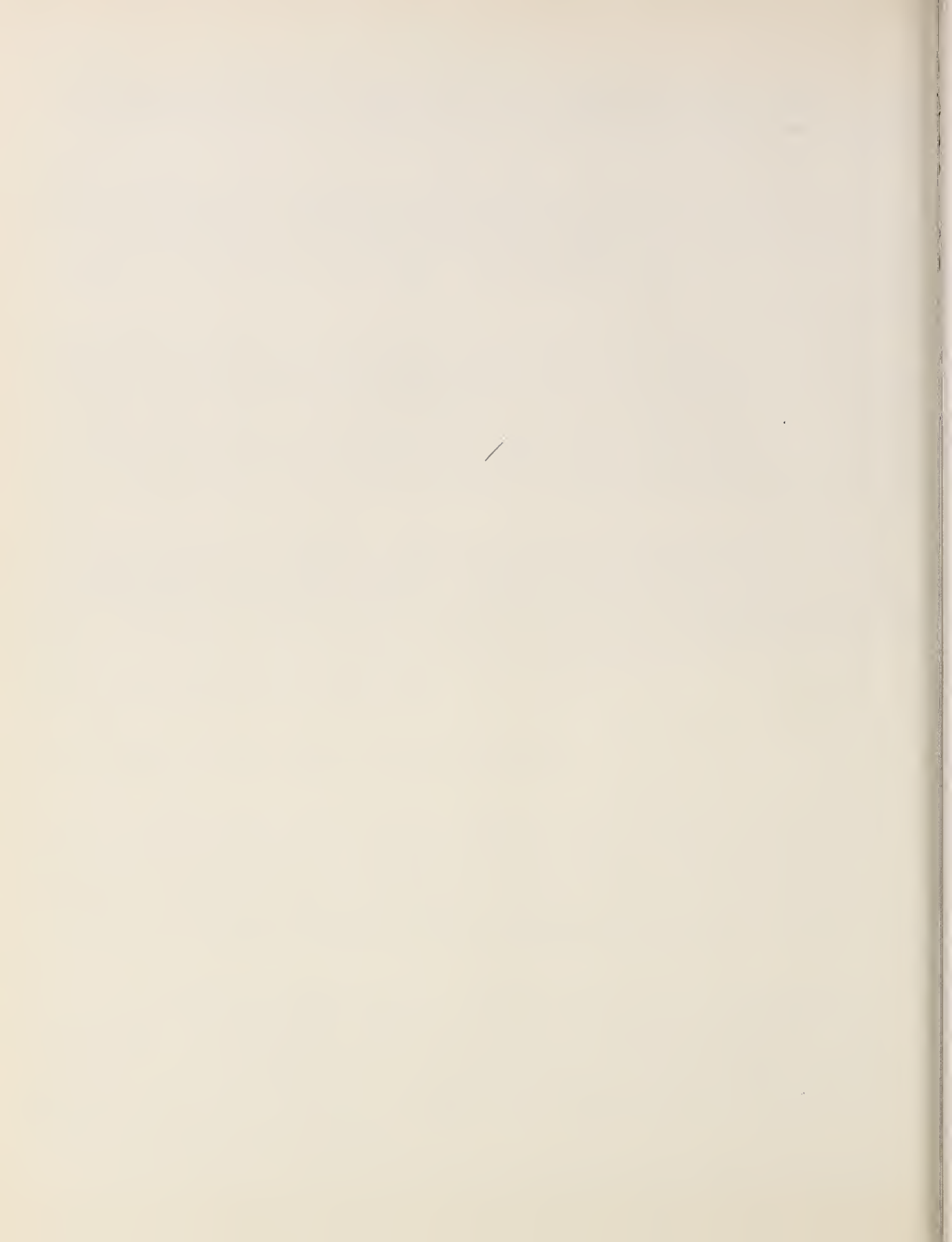
narrow range of less than one percent. While prices for some fabricated products may rise under the push of higher costs, the existence of more than adequate capacity in many lines, combined with foreign competition, should restrain price increases.

At the retail price level, a further advance of about the same dimensions as this year - one to one and one-half percent - is anticipated. Charges for services will continue to rise - for example, for rents and many of the home maintenance services, for public transportation, medical care and personal services, all of which have gone up steadily for some years. Higher wage levels and little opportunity for increased productivity are the principal factors underlying these continued advances.

One further comment: The underlying economic forces are now quite different than in the early postwar years. Then the tremendous pent-up demands for everything from consumer goods to machinery, both domestic and foreign, pressed against capacity. Labor was relatively scarce. Together with ample buying power, these factors set the stage for a rising price level which made big inventories profitable, and for rising wage levels. There was little or no foreign competition; little concern over foreign trade and none over the position of the dollar in world markets.

We are all aware of how all this has changed. In today's setting, the traditional economic indicators which formed the patterns of the first postwar business cycles may not have the same meaning. We need to look at more fundamental forces as we appraise the outlook for the 1960's and to devise new approaches to the problems of today.





UNITED STATES DEPARTMENT OF AGRICULTURE  
ECONOMIC RESEARCH SERVICE

THE OUTLOOK FOR FATS, OILS, AND OILSEEDS IN 1962-63

Talk by George W. Kromer

Economic and Statistical Analysis Division

at the 40th Annual Agricultural Outlook Conference

Washington, D. C., 1:30 P. M., Thursday, November 15, 1962

The total U.S. supply of edible fats, oils, and oilseeds during the 1962-63 marketing year which began October 1 is forecast at a record 16.5 billion pounds (in terms of oil), about 4 percent more than the peak quantity available last year. The increase in supply is due to larger starting stocks--mainly of soybeans and butter--as output in 1962-63 is likely to be slightly below the 1961-62 level.

Domestic disappearance of food fats in 1962-63 is expected to continue at about the annual rate of 46 pounds (fat content) per person. With the expected growth in population, total domestic use should increase by about 125-150 million pounds. These prospects indicate that the quantities of edible vegetable oils (cottonseed and soybean), lard, butter and soybeans available for export and carryout stocks in 1962-63 will be a record 7.2 billion pounds, about 0.4 billion pounds or 6 percent more than last year.

Current prospects are that exports of food fats (including the oil content of soybeans) through September 1963 may set a new record of around 4.9 billion pounds, roughly 20 percent more than the 4.1 billion pounds exported during 1961-62. An export volume of this proportion would account for a good one-third of the 1962-63 U.S. output of these commodities.

Here are some of the main factors in the export outlook:

(1) Europe will continue to buy more U. S. soybeans because of expanding demand for meal and because European oil stocks probably are lower than last year. If European countries decide to increase stocks, which are currently below last year, exports could possibly exceed the 2.2 billion pounds forecast. Mediocre crops in Communist China as well as expanding demand because of increasing population will continue to hold Chinese exports of soybeans and other oilseeds to a low level in 1962-63. Also, less copra and coconut oil are moving in world trade. The consumption of soybean oil in Europe has been trending upward slowly and the European Livestock economy continues to expand. Europe is now going through a rapid expansion in broiler production similar to what occurred in the United States during the past decade. On the other hand, exportable supplies of competitive African peanuts are again likely to be substantial as they were in 1961-62.

(2) Exports to Japan, the major single market for U.S. soybeans, are expected to increase slightly as the upward trend in the consumption of soybeans and soybean products continues in that country. The U. S. has supplied about 95 percent of Japan's soybean imports in most recent years. The Japanese Government has postponed action on the liberalization of import restrictions on soybean oil and soybean meal and this should favor increased imports of soybeans.

(3) A sharp expansion in the movement of edible vegetable oils (cottonseed and soybean oils) under the Food for Peace Program (all Titles of P. L. 480)--about 1.3 billion pounds compared with 1.0 billion in 1961-62. Most of the expansion anticipated is under Titles I (sales for foreign currencies) and IV (long term credit sales) of P. L. 480 which will much more than offset a small drop in foreign donations because of the shift to butter. In addition to the large quantities that will again be programmed under Title I to countries such as Pakistan, Turkey, Egypt, Israel, etc., new programs have been announced for Morocco and Tunisia and other new ones for large quantities are expected.

(4) Exports of soybean oil for dollars to Spain may turn out to be at least as large as in 1961-62 (400 million pounds) because of weather damage to the olive crop in that country.

Exports of edible vegetable oils (cottonseed and soybean oils) for 1962-63 are forecast at a record 2.2 billion pounds, up about 20 percent from the 1.8 billion pounds shipped abroad last year and double the 1960-61 volume.

Export sales of edible oils for dollars are expected to total about 900 million pounds (40 percent of the total) compared with 840 million in 1961-62, as Spain continues to be a major taker, accounting for roughly half of the total dollar movement estimated for 1962-63.

Soybean oil exports during 1962-63 are forecast at a record 1,700 million pounds, 30 percent more than last year. The increase would mainly reflect a heavy movement of oil under the Food for Peace Program, although dollar sales--mainly to Spain--are expected to be up some. Cottonseed oil exports are forecast at 500 million pounds, about the same as last year.

Exports of cottonseed and soybean oils under P. L. 480 (excluding Title III, foreign donations) are estimated at 1.1 billion pounds compared with 0.7 billion in 1961-62. The rise is mainly in Title I (sales for foreign currencies). Exports of edible oils under Title III during 1962-63 are placed at 200 million pounds (CCC owns 180 million pounds of shortening and cooking and salad oils purchased during 1961-62) down slightly from the 270 million last year, as the foreign donations program tends to shift to butter. There is a limit--probably around 400 million pounds--on the amount of food fats the welfare agencies can distribute abroad this year.

Based on the above estimates of domestic and export requirements, carryover stocks of all food fats on October 1, 1963 will be down around 10 percent from the 2.6 billion pounds (including stocks of soybeans (oil equivalent), shortening and salad and cooking oils) on the same date this year.

Before turning to the prospect for certain commodities, I might point out that the appraisal of the 1962-63 fats and oils outlook was originally based on the assumption that there would be no major change in the international situation. However, the events of recent weeks injected a new element into the outlook for the coming year. The full economic impact of these events and the prospective developments in the international



situation are not yet clear. Here is the way we appraise the effects on the fats and oils economy so far: (1) Supply - Because of increased world tension, some exporting countries possibly will tend to hold back or retain a larger portion of their exportable supplies of fats, oils, and oilseeds; (2) Demand - Some tendency on the part of importing countries, such as Western Europe, to maintain a higher stock level of fats and oils than otherwise; (3) Prices - Prior to the Cuban crisis, soybean and vegetable oil prices had strengthened somewhat in contrast to normal seasonal weakness during the harvest season. The Cuban quarantine was proclaimed in late October, imparting further strength to the market. With the lessening of world tensions there has been a slight decline of prices.

Now let us turn to the outlook for individual commodities.

Soybean supplies in the U. S. during the 1962-63 marketing year are placed at 730 million bushels, 31 million more than the previous year. The 1962 soybean crop is down about 3 percent from last year but carryover stocks on October 1, 1962 were 58 million bushels, up 52 million from the same date last year. Of the 58 million bushel carryover, 40 million were in the hands of CCC and another 11 million bushels of 1961 crop beans were resealed in farm storage. However, the relatively large quantity of new crop beans crushed and exported before September 30, 1962 has reduced the availabilities for the 1962-63 marketing year.

The season average price received by farmers for 1962 crop soybeans is expected to approximate the \$2.28 per bushel received for the 1961 crop even though the support price is 5 cents less than last year. Farm prices during the heavy harvesting season this fall are averaging at about the national support rate of \$2.25 per bushel. The seasonal swing in soybean prices during 1962-63 probably will be small, as was the case last year, because prices will be linked closely to the CCC price support operations. Price supports will place a floor under the market this fall when marketings are at their peak. Later on in the year, the CCC resale price probably will set the ceiling, the minimum for No. 1 beans being the support rate for 1962 crop No. 2 soybeans plus 19 cents per bushel.

Soybean crushings in 1962-63 are forecast at a record 450 million bushels, up 3 percent from the 439 million bushel rate last year. A bean crush this size would produce about 5.0 billion pounds of crude soybean oil and 10.6 million tons of soybean meal. According to trade estimates, soybean crushing capacity in 1962-63 will be about 550 million bushels, not much different from last year. Domestic use of soybean oil probably will total about 3,500 million pounds and soybean oil exports around 1,700 million pounds, both new record highs.

Domestic use of soybean meal during 1962-63 is placed at 9.6 million tons, up 5 percent from the last feeding year whereas exports of soybean meal may be down around 10 percent from last year's peak of 1.1 million tons. The export demand for oilseed cakes and meal is strong and continues upward particularly in Western Europe. During 1962-63, however, a larger proportion of European meal requirements probably will be imported in the form of U. S. soybeans and hence, meal exports may be off slightly. Western Europe has a large crushing industry and they prefer to import raw materials (soybeans) for processing rather than products (oil and meal).

Record exports of meal in 1961-62 were the result of an expanding demand, particularly in Europe, unusually bad weather in Europe, an increase in the knowledge of the feeding value of soybean meal, and low oil prices in Europe. Also, European users prefer U. S. toasted soybean meal because of its high quality.

Export demand for soybeans during 1961-62 totaled a record 153 million bushels compared with 130 million the previous year. Record soybean exports in 1961-62 resulted from (1) rising European livestock population and increased feeding of soybean meal and other concentrates; (2) increased consumption of soybeans in Japan, aided by freeing soybeans from import licenses; (3) strengthened demand for soybean meal in Canada; and (4) continued mediocre crops in Communist China which kept Chinese exports of soybeans and other oilseeds to Europe at a low level.

The basic underlying factors which stimulated the rapid rise in soybean exports in the last decade--from 17 million in 1951-52 to 153 million in 1961-62--still exist with strong foreign demand for beans, exports are forecast at 175 million bushels, up 22 million bushels from the previous high achieved in 1961-62. The increase over last year is expected to go mainly to Europe and Japan.

If soybean crushing (450 million bushels) and soybean export (175 million bushels) estimates are reasonably accurate, carryover stocks of old crop beans on October 1, 1963, may be around 60 million bushels, about the same as on the same date this year but below the record 62 million bushels of October 1, 1959. Most of the carryover of 1962 crop beans likely will be in the hands of CCC as was the case this year. A soybean carryover of 60 million bushels would be about 1 month's requirement for crushing and export.

Despite record disappearance, soybean oil prices (crude, Decatur) for the entire 1962-63 marketing year are forecast at an average of not less than 9.0 cents per pound. Record large stocks of oil (including finished products) and continued heavy crushings to meet current meal demand are dominant factors in the outlook. Soybean meal prices (bulk, Decatur) for 1962-63 are forecast at or above the average of \$65 per ton in 1961-62. Based on the above price estimates of soybeans, soybean oil, and soybean meal, processor's margins during 1962-63 probably will continue slim but a little better than last year.

Total supplies of cottonseed in 1962-63 (carryover stocks on August 1, 1962, plus production) are placed at 6,401,000, 4 percent more than in 1961-62. Assuming the usual 92 percent of the crop will move to oil mills for crushing, the total crush for the 1962-63 season probably will be around 5,625,000 tons compared with 5,538,800 tons the year before. A crush this size will produce around 1,900 million pounds of crude cotton oil and about 2,600,000 tons of cake and meal. Prices to farmers for 1962 crop cottonseed are averaging about \$48 per ton, basis grade (100) slightly above the CCC purchase price of \$44 per ton but less than the 1961-62 season average of \$51.10.

Cottonseed oil prices (crude, Valley) for the entire August-July 1962-63 marketing year are forecast at averaging at least 11.0 cents per pound compared with 12.4 cents the previous year. Cottonseed meal prices (bulk, Memphis) are expected to average above the \$59 per ton level in 1961-62.



Lard supplies (including farm) in the 1962-63 marketing year which began October 1 are forecast at 2,600 million pounds, about the same as in 1961-62, as smaller starting stocks offset a slight increase in output. Lard prices (tanks, loose, Chicago) probably will average at least 9.0 cents per pound for the entire marketing year compared with 8.6 cents in 1961-62. Lard exports (including shipments) are forecast at 500 million pounds, about the same level as last year and will represent about one-fifth of our lard output. Domestic use of lard in 1962-63 probably will continue at about the 2.0 billion rate of last year.

The total supply of butter (carryover plus output) in the 1962-63 marketing year that began October 1, is estimated at 2,025 million pounds, compared with 1,850 million a year earlier. Stocks of butter in Government hands on October 1, 1962 totaled 375 million pounds, 89 percent of the total, compared with 186 million a year earlier, 78 percent of the total. Prices to farmers for butterfat likely will average slightly above the CCC support level of 57.2 cents per pound, but about 2-3 percent less than the previous year, reflecting the lower level of support for the dairy marketing year which began April 1, 1962.

Domestic commercial demand for butter in the year ahead may be no greater than in 1961-62 but total consumption may be maintained because of large distributions from CCC stocks to school lunch and welfare outlets. Butter exports (largely in the form of butter oil and ghee) under the foreign donations program (Title III, P. L. 480) may total around 125 million pounds, whereas in 1961-62 these shipments were negligible. If estimates of exports (125 million pounds) and domestic donations (175 million pounds) are reasonably accurate, carryover stocks on October 1, 1963 may be as large or larger as on the same date this year. Current indications are that it may be several years before butter stocks return to a more normal level.

Flaxseed supplies in the 1962-63 marketing year, which began July 1, are estimated at 35 million bushels, 8 million more than in the previous season. Crushings of flaxseed may total around 19 million bushels, about the same as last year and another 2-3 million bushels will be needed for seed. This leaves 13-14 million bushels of flaxseed available for export during 1962-63 and carryover stocks next June 30, compared with only 6 million bushels available during 1961-62. The actual level of exports in 1962-63 will depend upon availabilities of flaxseed and linseed oil in producing countries (Argentina and Canada) and stocks in importing countries. Total exports from July 1, 1962 through early November were about 2 million bushels. Prices to farmers for 1962 crop flaxseed probably will average at about the support level of \$2.90 per bushel, around 35 cents below the \$3.25 received for the small 1961 crop. Linseed oil prices (raw, tank cars, Minneapolis) probably will average around 13 cents per pound compared with 15.2 cents in 1961-62. Linseed meal prices for 1962-63 are expected to average slightly higher than the July-June 1961-62 average of \$63 per ton (bulk, Minneapolis).

Inedible tallow and grease output in 1962-63 is forecast at 3.6 billion pounds compared with 3.5 billion last year, mainly reflecting a prospective increase in cattle slaughter. Domestic use of inedible tallow and grease probably will total around 1.8 billion pounds or about the same as the last



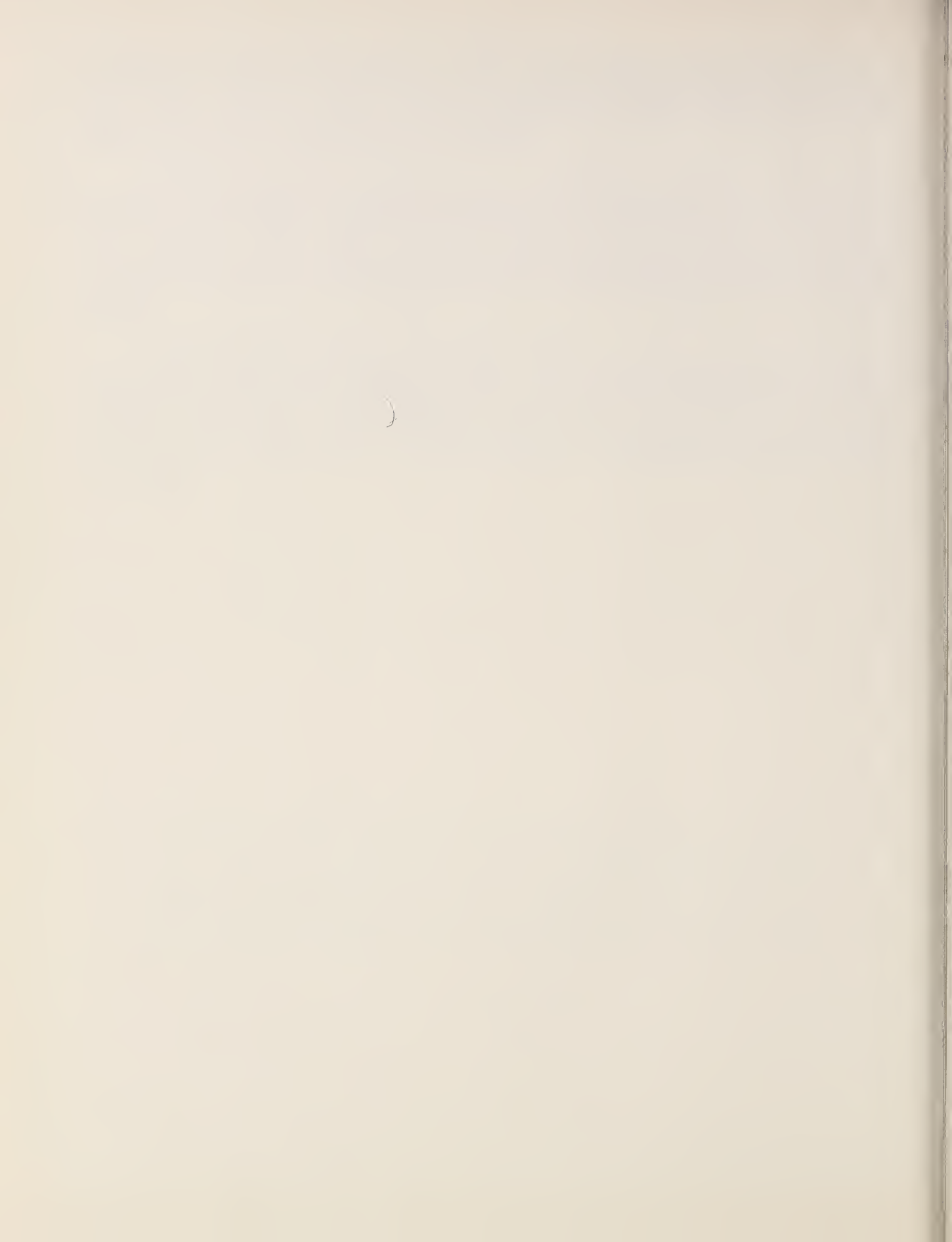
5 years. Exports are forecast at a new high of 1.8 billion pounds. The strength of export demand is a major price-making force as about half of the U. S. output of these fats is available for export. The outlook for the year ahead is for inedible tallow prices to average at least as high as the 5.5 cents (prime, Chicago) level in 1961-62.

Domestic tung oil supplies (U. S. production, imports, and starting stocks on November 1, 1962) during the 1962-63 marketing year are forecast at 44 million pounds, about 18 million pounds less than the year before and the smallest since World War II. The 1962 tung oil crop, preliminarily estimated at about 5 million pounds, is down sharply from the 33 million pounds produced last year because of the freeze damage to the trees last spring.

Current prices of tung oil are the highest since the spring of 1952. Due to the tight world situation, prices likely will continue high and for the entire 1962-63 marketing year probably will average at the present high level of around 40 cents per pound (Southern mills), up about 5 cents from 1961-62. Domestic use of tung oil in 1962-63 is forecast at no higher than the 36 million pounds of last year and the smallest since the oil short days of the mid-1940's.

:  
: Economic outlook information for oilseeds, vegetable oils, and :  
: animal fats is published regularly in the Fats and Oils Situa- :  
: tion, a processed publication by the Economic Research Service, :  
: Economic and Statistical Analysis Division. This statement is :  
: a summary of the 1963 Outlook issue, FOS-215 for November 1962. :  
:







UNITED STATES DEPARTMENT OF AGRICULTURE  
Agricultural Research Service

SOME MANAGEMENT PRACTICES AND EXPENDITURES OF EMPLOYED WIVES

Talk by Emma G. Holmes  
Consumer and Food Economics Research Division  
at the 40th Annual Agricultural Outlook Conference  
Washington, D.C., 3:30 P.M., Thursday, November 15, 1962

Three out of every 5 of the 24 million women in the U.S. labor force in March 1961 were married women living with their husbands. Since the majority of couples maintain their own households, we can assume that most of these wives were homemakers as well as paid employees--in other words, they were carrying two jobs at once. Three recent studies of the Consumer and Food Economics Division were directed toward learning some of the effects of this dual job-holding of wives on home management and household production practices, as well as on the money incomes of families.

Four years ago, I gave you a preliminary report of a study of job-related expenditures and management practices of gainfully employed wives in four Georgia cities. Since then we have done similar studies in Ohio and North Carolina, in which we included rural as well as city families. The former was in cooperation with the Ohio Agricultural Experiment Station, the latter under contract with the Research Triangle Institute. It is these I will report on today, giving first some of the findings from the Ohio study then a few from the North Carolina study for comparison.

The Ohio Study

In Ohio, the city families we interviewed were representative of families living in Zanesville, a place of about 40,000 population in the east central part of the State. The rural families were representative of the open country families of four counties--the one in which Zanesville is located and three adjacent to it.

We interviewed approximately as many nonemployed as employed wives, so comparisons could be made. A woman was considered "employed" if she worked in a paying job for 1,000 or more hours during the year ending April 30, 1960, and "nonemployed" if she worked less than 81 hours. All the wives were under 55 years old, had households of not more than six members, and had husbands who worked full time--or approximately so--that year.

A majority of the employed women worked either in clerical or sales positions or as operatives in potteries and factories. Fifteen percent were in professional or managerial occupations, and about that many in service occupations such as nurses' aides, waitresses, and domestics. Their average earnings, before deductions, were about \$2,850 in both city and country. Individual women earned amounts ranging from less than \$1,000 to \$6,800 among rural and up to \$8,100 among city women.

Our primary interest in the study was to learn how much of the working wife's income was used for expenses related to her job-holding. In getting this information we also obtained some about the management and use of the rest of her earnings, and about the management of household tasks.

The considerable portion of the wife's income that goes for income taxes, social security and other retirement plans, and union dues, of course, require little or no management on her part because they are deducted from her pay or have to be paid in specified amounts. Another group of job-related expenses gives her somewhat more latitude for making her own decisions. Transportation, for example, may be a necessary expense, but she may have a choice between a more and a less expensive way of providing it. When she decides the family has to have a second car so she can get to work, for example, she is choosing one of the more expensive ways. In Ohio about 5 percent of the employed wives in both city and country said their working made it necessary to have an additional car. A few others had a second car for the wife's use, but admitted this was a matter of choice rather than necessity.

But these wives driving their own cars to work were a small part of the total number using transportation. At the other extreme, as far as expense was concerned, were those who rode with their husbands or other family members on their way to and from work. If no extra mileage was involved, this type of transportation was not considered an item of expense to the wife. Expense for travel was recorded for 75 percent of the city and 85 percent of the open country wives, in amounts varying from a few dollars to several hundred. The average expense was considerably higher for rural than for city wives, because of the longer distances they had to travel to their work. It was this item that made the net incomes of the rural women a little less, percentagewise, than those of the city women.

Another job-related expense that the woman may be able to control is that for lunches and snacks at work. About half of both the city and rural women bought some meals or food to supplement packed lunches at work during the year. We can assume that the others decided to avoid this expense by going home for lunch or eating only food carried from home, except for the few whose employers provided them with lunches without charge. The city wives who bought lunches at work spent for them an average of \$136 for the year, the rural wives a little less--\$118. More rural women refrained from buying between-meal snacks; a little more than a third of them, as compared with half of the city women reporting this expense. All together, three-fourths of the city and two-thirds of the country women had some expense for food at work.

Other items of expense that were considered job-related and usually involved smaller amounts of money included special work clothing; business and professional dues, meetings, and publications; employee parties; gifts and flowers for fellow employees; and educational and medical expenses incurred in connection with the job.



We asked the employed women how they handled the money left after paying the expenses connected with their jobs. Out of every 10 wives, 7 said they pooled all of their earnings with their husbands', 2 handled it all separately, and 1 pooled part and handled part separately. The younger wives were more likely to pool their earnings than the older ones--perhaps because the pressure on family income to provide the necessities of living was greater in the growing families of the younger women. Another indication of this pressure came in the responses to questioning about how the women used the unpooled portion of their earnings. Some wives mentioned several uses, most of which had to do with helping with current family expenses. About one-fourth of the answers they gave related to providing furnishings, equipment, or other improvements for the homes; one-fourth to helping with general living expenses or buying things for the children; and a fourth to providing for the wife's own personal needs. One-fourth of the replies were divided about equally between paying debts and saving.

That so many of the employed wives pooled their earnings in the general family purse and so large a part of their unpooled earnings was used for family living seems consistent with the answers given to the question, "Why are you working?" These indicated that the decision to hold a paying job was based in most cases on the desire for more money than the husbands' incomes provided. More than four out of five of the replies were of this nature. Those who were working because they liked to, wanted to use their special training, or felt a need to keep busy were in the minority.

Regardless of whether they pooled their income and spent from the pooled fund or kept it separate, the employed wives used some of their earnings to upgrade their wardrobes. Wives at every level of income, based on the husband's earnings alone, spent more for clothing for general wear and for personal care when they were gainfully employed. Some of the additional expenditure was undoubtedly necessary to permit the wife to appear neat and suitably dressed on the job. And some of it, I am quite sure, was made to satisfy her desire for more or better clothing than she would have felt she could buy if her family had been depending entirely on her husband's income. Perhaps her earnings had increased the sum available for living enough to ease the strain somewhat, and the fact that she had contributed to this sum made the wife feel more free to spend for her personal use.

Clothing and personal care expenditures of working wives were somewhat higher than those of full-time homemakers, also, in families with total family income (husband's plus wife's earnings) in the same range. The single exception was the lower income city families (\$3,000-\$4,999), where employed and nonemployed spent about the same amount. In general, the city wives spent more for clothing than the open country wives in the same income and employment status group.

Another way some employed wives chose to use part of their earnings was for hiring some of their homemaking tasks done. For the working woman who has preschool children this is usually a necessity rather than a choice, because care must be provided for the children and this doesn't often come free. The mother may have a choice as to the type of care, however--for example, whether it will be provided in the child's home or away--and as to the amount she will pay for it. In Ohio, more mothers provided care at home than away from home.



We questioned the wives about their use of paid service for laundry work, general housework, and sewing, as well as child care. In the families with preschool children, 80 percent of the employed wives in the city and about 90 percent in the country reported some expenditures for such services. In families with school-age children (6-17) only, about half of the working mothers had some paid service, and in the all-adult families 50 percent in the city, but only 38 percent in the country did. The proportions of non-employed wives reporting paid help were much smaller, especially in the country.

We used expenditures for service to measure the amount of service bought, and found these considerably higher when wives were employed. The employed-wife families reporting any help averaged about \$450 when there were children under 6, something less than \$200 when they had older children (6-17) only, and nearer \$100 in all-adult households. These expenditures apply roughly to both city and country families, though the country expenditures tended slightly lower than the city except in households with preschool children. The nonemployed-wife families who reported paid help spent much less for it.

In the employed-wife families with preschool children, of course, many more had help for child care than for the other tasks they were questioned about. The other types of households, on the whole, had help with laundry work at home or in commercial laundries, more than general housework. Few hired any help to do sewing.

In the calculations of job-related expenses and net income, the additional amounts spent by employed wives for clothing and personal care and paid service, above those spent by the nonemployed, were counted as "extra" expenses due to the wife's job-holding. The "extra" expense for clothing and personal care amounted to 5 or 6 percent of the wife's earnings in the all-adult families and 2 to 3 percent in the others. (See table.) "Extra" for paid service took about 1 percent for the all-adult families, 3 percent for those with older children only, and 13 to 15 percent for the employed mothers of preschool children.

After the job-related expenses were subtracted from their earnings, the net amount left to the wives with all-adult households or households with adults and older children only was a little more than 60 percent of the total in the city and a little less than 60 percent in the open country. Net for the mothers of preschool children was nearer half of the total amount paid them by their employers.

Another phase of money management studied was use of credit. We asked the families about consumer installment debts paid on and assumed during the year--including those for automobiles, other consumer goods and services, and cash loans. Previous studies have shown that use of credit differs among age groups, so we tabulated the answers to these questions by age of wife. The proportion of employed- and nonemployed-wife families reporting payments was about the same within each age group except the oldest rural one, where it was considerably higher for those with employed wives. There was a difference in the amounts paid on installment debts, however. The families with working wives made larger total payments during the year than those

with full-time homemakers in each age group. They averaged only \$58 more in the oldest city group, but from \$110 to \$175 more in the others. These latter amounts meant 25 to 43 percent higher payments than the nonemployed wives reported. In the city, more families of employed wives reported payments on cars but not on other consumer goods. In the country it was the other way around--more paying on other consumer goods, but not on cars.

As for installment debts assumed, differences were about the same as described for debts paid--that is, little difference in the tendency of families to assume debts, but larger debts when the wife was employed. Here the exception was the young rural families, where those with employed wives added less to their installment debt during the year than those with nonemployed wives.

Information was obtained about two important functions of homemakers--feeding the family and sewing. We didn't try to get a complete story here, because we didn't want our schedule to be too long. But we did get enough to give some idea whether the employed wives were turning these jobs over to commercial facilities more than the nonemployed.

The questions asked about meal preparation and purchase applied to the week preceding the interview. Except in the few cases where the family was on vacation, some meals were prepared in every home. Out of a possible 21 meals, an average of about 18 were prepared and served in homes of employed wives, and 20 in homes of nonemployed wives that week. The smaller number of meals served in nonemployed-wife homes was accounted for largely by the smaller number of noon meals in all-adult households. These were mostly two-person households, and frequently both members--husband and wife--ate their lunches at work so there was no one home to get a meal for.

In addition to meals at home, some packed lunches were prepared in many homes for a family member to eat at work or school. More employed than non-employed wives reported these (71 and 56 percent, respectively, in the country, somewhat less in the city).

Not all of the meals at home were prepared by the homemaker, of course. More than a third of the employed mothers of preschool children reported meal preparation by paid workers, but few of the other women had this kind of help. Help was more likely to come from family members, who sometimes took over the job of getting entire meals, sometimes just assisted the homemaker. About half of the employed wives and a fifth of the nonemployed received a helping hand from other family members that week. The working mothers with children 6 to 17 years old were luckiest in this way, for 77 percent of them in the city and 62 percent in the country reported such help. This was about three times the proportion of nonemployed mothers reporting family help with meals in the city, and two times the proportion in the country. There were indications that more husbands helped with meals when the wives worked, too.

Husbands were somewhat more likely to buy lunches at work when the wife was employed, but the difference wasn't great. As for other meals out--the evening meals and Sunday dinners we might expect employed-wife families to be eating in restaurants to save the wife's time and energy--as many nonemployed as employed rural wives reported them (13 percent).



In the city, however, more of the employed-wife families bought and ate these meals away from home (19 as compared with 13 percent). Families with only two members were the ones most likely to "eat out." The rural families who bought meals out spent about 20 percent more for them when the wife was employed (\$5.24 as compared with \$4.28), but the average expenditure was about the same for both city groups.

Data about purchase of lunches at school during the schedule year show that in the city more of the working mothers reported this practice. Seventy-one percent of those with school-age children reported their children bought lunches, compared with 53 percent of the nonemployed. Average expenditures for the year were \$82 and \$60 per family, respectively. In the country about four-fifths of each group bought school lunches, spending an average of about \$80 per family.

Home baking.--Not as many employed as nonemployed wives did home baking the week before the interview, either "from scratch" or with mixes, but differences were not as great as one might expect. In the city 62 percent of the employed and 74 percent of those not employed baked one or more of eight listed foods. In the country, the corresponding figures were about 75 and 85 percent. The biggest difference was noted in the two-person city families, where only 44 percent did baking when employed, but 70 percent when full-time homemakers. The quantity of baking done by the home bakers, as measured by the number of batches of baked foods produced, was slightly smaller when the wife worked.

There was little evidence that the employed wives used packaged mixes for baking much more than the nonemployed. Of the families who baked that 1 week, about as large a proportion of one group as the other reported using one or more mixes. About three-fourths of the cakes were made from mixes, except in the rural homes with nonemployed wives where three-fifths were. Pies were seldom made from mixes.

More nonemployed than employed wives reported doing home sewing. The percentages responding "yes" to the question "Did you do any home sewing other than mending last year?" were 30 for employed and 40 for nonemployed in the city, and 40 and 51 for the corresponding groups in the country. The ones most likely to do home sewing were the farm wives, especially those with families of five or six. The wives who did sew made more garments, on the average, when they were full-time homemakers, also, except in two-person households.

### The North Carolina Study

I haven't studied all the North Carolina data yet, but as a matter of interest will mention a few similarities and differences I have noticed in comparing portions of it with Ohio.



The city families in North Carolina lived in Gastonia, a textile center of about 40,000 in the south western part of the State, and the rural families in three adjacent counties. The employed wives worked mainly as operatives in the textile mills. They earned an average of about \$2,600 in 1960, which was about \$250 less than the average for the Ohio wives.

As in Ohio, the employed wives spent more for clothing than the non-employed in a given income group. In fact, the North Carolina wives, employed and nonemployed, spent about the same average amounts for clothing as the Ohio wives. This seemed surprising, in view of the milder climate, the somewhat lower incomes, and the larger number of the North Carolina wives wearing special work garments instead of street clothing on their jobs.

The pattern noted in Ohio, of more wives with paid help and larger expenditures for this help in employed- than nonemployed- wife homes, showed up again in North Carolina. But more North Carolina than Ohio wives had paid help, whether employed or not, urban or rural, except the working mothers of preschool children, who were pretty evenly matched. Many more of the southern than the northern wives had paid service for laundry work. The southern homemakers were about as likely to have this work done in their homes as elsewhere, but in Ohio more of them sent it out.

Differences in the use of consumer credit were less well-defined than in Ohio. In the city, more employed than nonemployed wives reported payments on installment debts in the two older groups, but not in the youngest, where they were the same. In the country, more employed-wife families in the middle age group only (30-39) made installment payments. The Ohio pattern of larger payments on installment debt by the employed-wife debtors held for all age groups in rural North Carolina, but only the youngest urban group.

In North Carolina as in Ohio, the average number of meals prepared and served in the home during a week was smaller for employed than nonemployed-wife families (18 and 20 out of a possible 21, respectively), largely because of the smaller number of noon meals in all-adult households. In North Carolina, also, about as many employed as nonemployed did home baking--in fact, practically all of the wives baked. But packaged mixes were less popular with the Southern homemakers, regardless of their employment status, for not nearly as large a proportion used them as in Ohio. More of the working wives used mixes in the country, but in the city more of the nonemployed wives used them, except in the low-income group.

As in Ohio, a smaller proportion of women did home sewing when they were job-holders. In the city, 37 percent of the employed and 47 percent of the nonemployed sewed in 1960. In the country, 41 percent and 58 percent, respectively, did. All of these figures are a little higher than the ones for Ohio.

The outlook is for increasing numbers of wives in the labor force in the years ahead. If other working wives adjust to the dual job of homemaking and earning as these in Ohio and North Carolina did, there seems little danger that increased employment will result to any great extent in the delegation of meal preparation to restaurant cooks, washing and ironing to commercial laundries, and housework to hired workers. Many of the wives studied managed to do all these home tasks without outside help, as well as holding a job.

Average gross and net income and job-related expenses of employed wives; percentage expenses and net income were of gross earnings, by family type and place of residence, Ohio 1960-61

Item	Urban					Rural				
	All families	All-adult	With children 6-17 only	With children under 6	All families	All-adult	With children 6-17 only	With children under 6	Dollars	Dollars
Husband's income (after tax) .....	4,633	4,730	4,684	4,376	4,388	4,204	4,642	4,051		
Wife's income (before tax) .....	2,869	2,916	2,952	2,629	2,854	2,820	2,923	2,729		
Job-related expenses:										
Income taxes .....	560	596	571	479	500	521	502	450		
Other .....	318	318	320	313	502	460	543	473		
Extra for paid help ....	121	39	90	330	116	25	84	413		
Extra for clothing and personal care .....	128	169	72	78	100	143	80	51		
Total .....	1,127	1,122	1,053	1,200	1,218	1,149	1,209	1,387		
Net .....	1,742	1,794	1,899	1,429	1,636	1,671	1,714	1,342		
Wife's income (before tax) .....	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent	Percent
Job-related expenses:	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Income taxes .....	19.5	20.4	19.3	18.2	17.5	18.5	17.2	16.5		
Other .....	11.0	10.9	10.8	11.9	17.6	16.3	18.6	17.3		
Extra for paid help ....	4.2	1.3	3.0	12.6	4.1	.9	2.9	15.1		
Extra for clothing and personal care .....	4.5	5.8	2.4	3.0	3.5	5.1	2.7	1.9		
Net .....	60.7	61.5	64.3	54.4	57.3	59.3	58.6	49.2		
Families	Number	Number	Number	Number	Number	Number	Number	Number	Number	Number
	184	65	79	40	199	71	95	33		

UNITED STATES DEPARTMENT OF AGRICULTURE  
Agricultural Research Service

SUPPLIES AND PRICES OF CLOTHING AND TEXTILES

Talk by Virginia Britton  
Consumer and Food Economics Research Division  
at the 40th Annual Agricultural Outlook Conference  
Washington, D.C., 10 A.M., Friday, November 16, 1962

Supplies of clothing are large; prices have edged up slightly; and clothing continues to decline in relative importance in the average budget.

Clothing Consumption

Aggregate expenditures for clothing and shoes are continuing their slow climb in both current and constant dollars. However, increases have been just about sufficient to compensate for increases in population and clothing prices so that there has been little change in the real value (in constant dollars) of clothing purchased per person in the last few years. In fact, from 1941 to 1961 clothing purchases per person fluctuated within a relatively narrow range (about 12 percent difference between the highest and lowest annual expenditure), and the 1929 figure was also within this range.

Since disposable personal income increased considerably, clothing expenditures declined from 13 percent of income in 1929 to 11 percent in 1941 and 8 percent in 1961, in constant dollars. A special analysis by the Department of Commerce in 1959 showed that the longrun decline has been greater than that due to increased real income alone, indicating that other forces are operating. Several reasons have been suggested for the declining longrun trend in clothing expenditures: increased competition of other goods and services, changing composition of the population, greater utility of fibers used, today's casual mode of dressing, and price changes in clothing compared with those in other items. Let us look at some of these possible explanations.

Other interests

First, it seems clear that consumers are finding other attractive ways to spend their money. While clothing expenditure has been declining after allowance for income effects, expenditure for gasoline and oil has been increasing, according to Commerce's special analysis. Durable goods are many and attractive and purchases are high. Housing and household operation take a higher proportion of real income than before the war. Perhaps the house has replaced clothing as a status item.



## Composition of the population

The composition of the population has been changing so as to include a higher proportion of those persons who customarily spend less on clothing. Persons under 15 years of age and those 65 or over increased from 32 percent of the population in 1940 to 40 percent in 1960, as follows:

Year	Population (in millions)	Percent of population					
		Young and elderly			15 to 64 years old		
		Total	Under 15	65 or over	Total	15-34	35-64
1940	132	32	25	7	68	34	34
1950	151	35	27	8	65	30	35
1960	179	40	31	9	60	26	34
1970*	214	41	32	9	59	28	31

\*Projections

Source: Bureau of the Census.

During recent decades there has been a decline in the proportion of the population that is 15 to 34 years old. This may also help to explain the declining importance of clothing expenditures since young adults are generally the high clothing consumers, quick to accept and demand new styles. The increased proportion in this age group expected in the coming years may help to increase the per capita expenditure for clothing.

## Utility of fibers

The increasing use of manmade fibers with their "higher utility value per pound" (i.e., larger poundages of cotton and wool would be required to make products that are presently composed of manmade fibers) has further helped to suppress an increase per person in pounds of fibers used, according to trade sources. <sup>1/</sup> The amount per person of manmade fibers used in clothing was twice as great in 1960 as in 1937. Nevertheless, cotton presently comprises about 67 percent of fiber consumption (of three major fibers)

---

<sup>1/</sup> Textile Organon, January and November 1961.

contrasted with 20 percent for manmade and 13 percent for wool. While silk is still a small proportion of fibers used, it has increased in popularity for women's dresses in the last couple of years, according to trade sources. 2/

### Casual modes

A relaxed attitude toward clothing as well as selection of casual types of garments minimize increases in clothing expenditures. Many of the casual items are less expensive than more formal ones; the separates provide greater variety and flexibility by mixing garments; and they allow cheaper replacement by replacing parts. For women, misses, and juniors, there is an increasing popularity of skirts, blouses, and slacks. To some extent, these substitute for housedresses which are decreasing in popularity. Dresses in higher price lines are more popular and suits are less popular.

For men there has been an increase in popularity of separate trousers and separate coats and a decline in suits, overcoats, work shirts, and overalls. While sport shirts (woven and knit) presently comprise almost two-thirds of all shirts purchased, the preliminary 1961 figures indicate some decline. Perhaps the short-sleeved dress shirt is the current compromise. With regard to footwear, an important change has been the high popularity of women's play shoes and sandals which constitute about a third of the shoes for women in recent years in contrast with a fifth of them in 1947.

Full-fashioned nylon hosiery for women has declined greatly in popularity so that seamless hosiery now comprises two-thirds of the total. 3/ It might be noted in passing that knee-length hose have decreased considerably and stretch hose increased slightly, but neither type comprises a large part of total hosiery for women. For men, slack socks and anklets are more popular whereas half-hose and work socks are less popular.

### Consumer Prices

The news about the consumer price level for apparel is good--it rose only 1 percent in the past year (September 1961 to September 1962) and 3 percent in the previous 10 years (1951 to 1961). (See table 1.) This compares with the Consumer Price Index for all items which rose 1.4 percent in the past year and 15 percent in the previous 10 years.

Prices in the fall and winter catalogs of four major Chicago mail-order companies (Sears Roebuck, Montgomery Ward, Spiegel, and Aldens) were practically unchanged from recent editions, according to trade sources.

---

2/ Trade sources include The Wall Street Journal, Textile Organon, and Chemistry and the Home.

3/ Textile Organon, May 1962, p. 102.

New York buying offices for department and specialty stores across the nation indicated that shoppers would find fall department store prices mostly unchanged from a year ago. However, they expected prices of fur-trimmed coats to be up 5 to 10 percent, some shoes up 5 to 7 percent, and handbags and gloves higher. Prices of men's suits were expected to be the same as last fall.

From 1939 to 1948, the BLS's Apparel Index generally climbed more rapidly than did the CPI so that the Apparel Index was 97 percent higher whereas the CPI was 73 percent higher. Since 1948 the Apparel Index has generally been climbing more slowly than the CPI: By 1957, the two indexes had climbed about equally from their 1939 levels (each had about doubled); and by 1961 the Apparel Index had increased 110 percent over 1939 and the CPI had advanced 115 percent.

Table 1.--Percentage increase in selected indexes of consumer prices between specified periods

Index	1939 to 1948	1939 to 1957	1939 to 1961	1951 to 1961	Sept. 1961 to Sept. 1962
Consumer Price Index .....	73	102	115	15	1.4
Apparel Index .....	97	104	110	3	1.0
By type:					
Men's and boys' apparel	102	115	120	4	1.1
Women's and girls' apparel .....	90	82	84	-2	2.7
Footwear .....	105	154	181	20	1.4
Other apparel .....	167	127	129	-9	-.2
By fiber:					
Cotton apparel .....	144	143	150	4	.8
Wool apparel .....	83	110	116	5	.4
Manmade fibers apparel	76	36	35	-12	.1

Source: Bureau of Labor Statistics.

#### Apparel subgroups

Price indexes for apparel subgroups have not increased at the same rates. Between September 1961 and September 1962, women's and girls' apparel increased 2.7 percent, footwear and men's and boys' apparel increased over 1 percent, and "other apparel" (yard goods, infants' and toddlers' clothing) declined fractionally. The major changes in the previous 10 years were a 20 percent increase for footwear and a 9 percent decrease for other apparel.



From 1939 to 1948, prices of other apparel climbed much more than did the other three subgroups. But for the whole period, 1939 to 1961, other apparel climbed by 129 percent whereas footwear climbed 181 percent, men's and boys' apparel by 120 percent, and women's and girls' apparel by 84 percent.

When the price data are grouped in another way, they show that price increases over the past year were less than 1 percent for cotton apparel and even smaller for wool apparel and manmade fibers apparel. Over the previous 10 years, prices of wool and cotton apparel advanced somewhat (5 and 4 percent, respectively) whereas apparel of manmade fibers declined 12 percent.

The belief of some people that clothing prices have advanced decidedly over a year ago and importantly over the last 10 years is not borne out by changes in the Apparel Index. The feeling of increased prices may be due to trading-up on quality as incomes advanced during the last 10 years. Or it may be due to purchase of different types or qualities of apparel than those priced for the CPI--those purchased by city-wage earner and clerical-worker families. For the CPI, the average quantities and qualities of the various goods and services priced are held constant between major revisions.

#### Developments in Retail Distribution of Apparel

Of interest to consumers are some recent developments in retailing. The Nation's fourth largest producer of shoes was restrained from merging with the largest retail shoe chain since it might lessen competition in the production and retail sale of shoes. Discount stores have spread to shoe retailing with the use of self-service racks. Although discount shoe stores were almost nonexistent 4 years ago, there are now more than 1,500 of them, accounting for 9 percent of all shoe sales, and able to sell for 10 to 20 percent less, according to trade sources.

On the other hand, a manufacturer of women's undergarments has recently withdrawn as operator of leased apparel departments in ten discount stores owned by a chain. At the same time, a large apparel chain which currently operates 186 conventional stores and 41 leased discount departments has recently closed 30 apparel stores, but is planning to open four new leased departments in discount stores this fall. It has been suffering from high rental costs and low operating results in conventional downtown stores. Another way of avoiding high downtown costs is door-to-door selling: One concern has recently announced that it will add foundation garments to its cosmetics and toiletries and may add other items later.

#### Wholesale Prices of Clothing and Textiles

A look at wholesale prices may help in thinking about possible future changes in consumer prices.

## Apparel and household textiles

Wholesale prices for apparel were fractionally higher (0.5 percent) in September than a year ago. (See table 2.) About the same small increase was shown for women's, misses' and juniors' apparel, infants' and children's apparel, and knit outerwear, while men's and boys' apparel and underwear and nightwear increased about 1 percent.

Wholesale prices of wool and part-wool blankets remained constant, but prices of housefurnishings of cotton were up 1 percent. In September, most major producers of sheets and pillowcases announced price increases of 2 percent to 3-1/2 percent for deliveries in late October, November, and December, but may have to back down if Cannon does not increase also, according to trade sources. They gave increased costs for labor and cotton as the reason.

## Footwear

Comparing September with a year ago, wholesale prices of footwear went up 1 percent--led by an advance of almost 2 percent in the prices of men's and boys' footwear. There was a 1 percent increase for women's and misses' footwear and a 1 percent decrease for children's and infants' footwear.

## New Products

Stretch cotton fabric, which has been introduced recently, is expected to be used in work clothes and everyday clothes where it will allow stretching room across the back, at knees and elbows. A major producer plans to introduce a new stretch wool fabric in some of its men's winter suits retailing for about \$115. The fabric is said to spring back into shape after stretching. They also plan to introduce a combination Dacron-wool stretch suit next spring to have greater crease retention.

No-run seamless nylons were recently introduced, reputed to be no-run even when scratched by cats. However, it is reported that the run-resistance applies only to the legs, and the hose are not so sheer as others. These hose retail at close to \$2 a pair. On the other hand, manufacturers say that throwaway nylons are on the way. The low-price type is produced by omitting the knitting of the heel pocket, then molding to shape on aluminum frames. They have been retailing at 59 cents a pair this spring and are expected to be 39 cents a pair by next year.

A new glass yarn, said to have much more resistance to abrasion and breaking than similar fibers, has been developed for apparel and home-furnishings as well as industrial uses. A nylon zipper without metal teeth was introduced in ready-to-wear garments a year ago and is now available for home sewing. The new zipper is smaller, more flexible, less likely to catch threads and cloth, and easy to extricate if it does.

Table 2.--Percentage increase in selected wholesale price indexes  
between specified periods

Index	Sept. 1961 to Sept. 1962
Apparel .....	0.5
Men's and boys' apparel .....	.9
Women's, misses', and juniors' apparel .....	.3
Infants' and children's apparel .....	.4
Underwear and nightwear .....	1.4
Knit outerwear .....	.1
Textile housefurnishings:	
Wool and part wool blankets .....	0
Cotton housefurnishings .....	1.0
Footwear .....	.9
Men's and boys' footwear .....	1.6
Women's and misses' footwear .....	.9
Children's and infants' footwear .....	-1.4
Cotton fibers and fabrics:	
Raw cotton .....	-.5
Yarns .....	-1.3
Broadwoven goods .....	.5
Manmade fibers and fabrics:	
Filament yarns and fibers .....	.1
Spun rayon .....	1.4
Broadwoven goods .....	2.0
Knit goods .....	4.1
Wool fibers and fabrics:	
Domestic apparel wool .....	3.3
Foreign apparel wool .....	2.6
Yarns .....	2.6
Broadwoven fabrics .....	1.0
Knit outerwear fabrics .....	1.9
Silk fibers and fabrics:	
Raw silk .....	11.2
Silk products .....	6.9
Hides, skins, leather:	
Hides and skins .....	-9.0
Leather .....	-2.8

Source: Bureau of Labor Statistics.

An improved type of Pattina high brilliance olefinic shoe material has recently been used for high-gloss shoes. It resists cracking and scuffing and can be cleaned with soap and water. "Poromeric," a new manmade material



claimed to have the porous qualities of leather, has been tested and proposed for use, first, in high-priced shoes for women. At the same time, research has been underway to extract chemicals from hides and convert them into a continuous sheet of material to eliminate some of the waste created by the shape and imperfections of natural leather.

### Supplies and Prices of Raw Materials and Fabrics

Supplies and prices of raw materials and fabrics may help in estimating future wholesale and retail prices of clothing.

#### Cotton

This year's cotton crop is expected to be over 2 percent greater than last year's and consumption is expected to remain near the average of the past 5 years. Stocks of cotton in the U.S. on August 1, 1962 were somewhat above a year earlier, and were equal to about 85 percent of the amount used by U.S. mills in the previous 12 months. Prices have changed little since last September. Raw cotton is fractionally lower, cotton yarns 1 percent lower, and broadwoven goods fractionally higher.

Trade reports indicate a continuing trend toward modernization of plants as a large producer announced that it will close another cotton fabric plant by December, the third such plant it has closed this year, in order to consolidate operations in more modern plants. Following an investigation and recommendation by the Tariff Commission, the President recently rejected an import equalization fee proposed by the USDA on the imports of cotton in the form of textiles and products; the fee was designed to equalize the cost of cotton used in the manufacture of imported textiles with costs of cotton which domestic mills are required to pay.

#### Manmade fibers

Production capacity for manmade fibers seems ample: In recent years production has been at only three-fourths of capacity and capacity has been increasing. Furthermore, several leading producers have recently announced expansion of facilities to meet increased demand for nylon for sportswear using nylon-cotton stretch fabric, as well as nylon for carpets and tires.

Price levels have changed little since last September. Filament yarns and fibers are about the same level as a year ago and spun rayon increased 1 percent. For broadwoven goods of manmade fibers, wholesale prices were 2 percent higher and knit goods were 4 percent higher. In September a price cut of more than 10 percent was announced for Orlon acrylic fibers and a lesser cut for Acrilan acrylic fibers.

## Wool

In July raw wool stocks were relatively low in both the producing and consuming countries. The USDA Crop Reporting Board estimated that domestic shorn wool production in 1962 would be about 5 percent less than in 1961; and world wool production is expected to be slightly above the record high of last year. World consumption is at record levels and continuing strong. U.S. mill consumption of apparel wool during January-August was 10 percent greater than a year earlier and imports of dutiable (apparel) raw wool were up 36 percent over the same period of 1961.

Wool prices have generally increased over last year. The average price for domestic apparel wool in September was about 3 percent higher than a year ago, and foreign apparel wool had increased almost as much. Wholesale prices for wool yarns were almost 3 percent above a year ago, and prices were 1 percent higher for broadwoven wool fabrics and 2 percent higher for knit outerwear fabrics.

## Other

World production of raw silk was up only 0.5 percent in 1961 over 1960, according to trade sources. At the same time, more silk was used in the U.S. last year than at any time since 1952 and imports of silk during the first 5 months of this year were nearly 10 percent above a year earlier. Prices of raw silk are running at their highest level since 1924, and in September were 11 percent above a year ago. For silk products, wholesale prices were 7 percent higher than a year ago.

Prices of hides and skins were 9 percent lower in September than a year ago, and leather was 3 percent lower. The trend to play shoes and imported shoes is considered to have contributed to this.

## Outlook

Certain future trends are foreseen. Increased per capita expenditure for clothing is expected with future increases in the proportion of young adults in the population. Research will probably develop new manmade fibers and new uses for old fibers, as well as blends, heightening competition among them. Softer and whiter colors next spring are expected to replace this year's bright colors, according to trade sources. A wider selection of lighter shades is to be introduced in men's suits next spring and fall.

Retail prices of clothing and textile housefurnishings may edge up somewhat in 1963. Wholesale prices of apparel, cotton housefurnishings, and footwear are some higher than a year ago. Prices of broadwoven goods of manmade fibers, wool, and cotton are up, as are prices of silk products. Some future increases have already been announced. A major shoe manufacturer expects to boost prices of its spring line by almost 1 percent--more on men's shoes and less on women's. Price increases on men's worsted fabrics to be delivered to manufacturers between February and July have already been announced by one manufacturer; and higher prices of men's suits are expected by next fall.









(\* - \*)

## TRENDS IN RETAIL DISTRIBUTION PRACTICES

Talk by Robert J. Bond  
United States Department of Commerce  
at the 40th Annual Agricultural Outlook Conference  
Washington, D. C., 9:15 A. M., Friday, November 16, 1962

I want to add my word of greeting both for myself and on behalf of the Department of Commerce. I am sure that you are finding the proceedings of this Conference both pleasant and rewarding.

I have been asked to talk with you about trends in retail distribution practices. I say "talk with you" advisedly as there will be ample time allowed for your questions. I hope they will be many and I will attempt to answer them to the best of my ability.

In the time allotted I can't do much more than highlight a few of the more important retail marketing developments that have radically changed the way our retail stores serve their customers. I've selected

First - the substitution of self-selection and self-service selling techniques for clerk service;

Secondly - the trend to wide diversification of product line assortments (some call it "scrambled" merchandising); and,

Third - the growth of discounting.

It is interesting to note that advertising has played an important part in each of these developments. There is a direct relationship between the extent to which the American consumer has been pre-sold on branded merchandise through national advertising, and the extent to which each of these three developments has gained in importance.

The investment of many billions of dollars year after year in national brand advertising has accomplished a high degree of brand acceptance for thousands of consumer products.

This ready acceptance of, and confidence in, national brands has paved the way for these innovations in retail selling.

First, let's consider simplification of retail selling procedures--which culminates in the full self-service approach as used in many of today's retail stores.

The goal of simplified selling is to make it as easy as possible for a customer to buy and, at the same time, to increase the sales productivity of salespeople and of selling space.

There is a growing recognition of the fact that customers come to a store to buy, not to be sold. Because national advertising has done such a good job of pre-selling her, a customer no longer needs to seek the retailer's advice about the purchase of a great many items. She merely wants to acquire these items as quickly as possible.



Professor McNair of the Harvard School of Business Administration said recently "Service versus self-service or non-service is largely a false distinction and actually the so-called self-service or lack of service may be offering the customer a greater service by providing more convenience."

It would, perhaps, be useful to define certain terms briefly. There are three generally recognized phases of simplified selling:

1. Pre-selection--a technique of displaying merchandise so as to enable a customer to make a selection, (but not to remove the merchandise from the fixture or shelf) before engaging a salesperson's attention.
2. Self-selection--the display of assortments of merchandise in open fixtures that enable pre-selection and removal of the merchandise by the customer. The transaction is completed through a salesperson.
3. Self-service--the technique that enables the customer to complete a self-selection transaction at a checkout desk, rather than through a salesperson.

With the advancement of customer self-service which started, as you know, in its modern concept in food retailing and has been swiftly adopted by non-food retailers, has come a modernizing program drastically affecting store design, physical properties, lighting, display and equipment as well as, of course, merchandising procedures. Practically every type of retail store has felt the impact.

The experience of most people who have used self-service indicates that advantages can be gained for both the store and the customer, provided that the retailer learns to cope with the special problems entailed in this kind of operation and then applies it in suitable merchandising areas.

The market research department of the National Cash Register Company conducted a study of independent variety stores which had converted to self-service and checkout. Records were obtained for 50 stores which had remained the same size as they were before converting to self-service. The results were astonishing.

1. All 50 stores showed sales increases attributable to the change over. The average increase, after conversion to self-service, was 26 percent.
2. The average sale doubled, from 48 cents before checkout to 96 cents after checkout. This increase, of course, overstates the volume per customer, since before self-service the customer was likely to make several purchases at different counters. It is probable that, if allowance is made for this, the average sale per customer increased about 25 percent.
3. There was abundant evidence that customer service was improved, particularly at the peak periods. Salesclerks were no longer service bottlenecks. Clerks on duty were able to help the customers who wanted service (about 1 of every 4). Three out of every four could select what they wanted and leave the store without waiting for a salesclerk. Traffic jams at the busiest counters were eliminated. Customers would spend more time shopping and less time waiting. No longer was the store's peak-period volume determined by the number of salesclerks.

4. Selling expense was sharply reduced. While the average store was doing more than a quarter additional volume, it was able to decrease the number of regular and peak employees. As a result, salesclerk expenses were reduced from about 12 percent of sales to less than 10 percent, even after wage increases in about half the stores reporting.
5. The greater opportunity for shoplifting involved in self-service was offset by better supervision. There were 25 merchants who provided shrinkage estimates before and after self-service. The average shrinkage before self-service was 2.1 percent of sales; after self-service, 1.6 percent.

Generally speaking, merchandise lines considered most suitable for self-service selling have these characteristics:

- (1) they sell in good volume,
- (2) they are in the "staple goods" category,
- (3) pre-sold by national advertising,
- (4) pre-packaged,
- (5) relatively low priced,
- (6) informatively labeled,
- (7) not easily damaged by handling,
- (8) they have a relatively narrow price and quality range and
- (9) are of such a nature that their display in open selling fixtures encourages impulse sales of related items (e.g., housewares, Christmas trimmings, notions).

As to the second development we are considering, namely, widespread diversification of product lines, retailers have always been faced with the need to decide what categories of merchandise they should offer for sale. Until recently, this decision was relatively easy to make. Tradition decreed that a drug store, a grocery store, a hardware store should handle certain merchandise categories and no others. A merchant seldom dared to depart in any substantial way from the assortment of goods traditional for his type of store.

In recent years, however, changing competitive factors and increased operating costs have forced many retailers to search urgently for the means to increase both their sales volume and their average markups. The result, in many cases, has been a significant departure from traditional merchandising practices. New and non-traditional categories of merchandise have been added to the product line assortments customarily offered for sale.

With regard to supermarkets and drug stores, the merchandise categories so added are, to a large extent, nationally advertised articles of the type that consumers wish to purchase with a minimum of effort and that have the characteristics for self-service selling just outlined.

They don't stop there, however. You've undoubtedly observed their promotional use of such items as the folding aluminum lawn chair.

The diversification approach in variety stores has generally been to add new merchandise categories such as branded electrical appliances, furniture and other home furnishings lines and to broaden substantially assortments of such traditional but previously limited categories as women's shoes and women's and children's clothing. They have become, in fact, junior department stores



rather than variety stores. (One reason why variety stores diversified was to replace the volume lost to some 26,000 supermarkets that now stock 60 percent of the traditional variety store lines and to about 56,000 drug stores that currently carry 50 percent of such lines.

Trade studies indicate that in 1960 furniture and floor coverings occupied 4.5 percent of the total selling space in variety stores; in 1961 this figure increased to 5.3 percent.

Furniture stores in turn, have not been slow to diversify. According to one trade study, last year they sold over \$40 million worth of toys which represented 2.4 percent of all toy sales.

The revolutionally changes in consumer goods packaging that have taken place in recent years, changes tailored to the requirements of self-service selling, have contributed greatly to the success of diversification. The development of new, open selling fixtures and point-of-purchase display properties, designed to meet the needs of the new selling techniques, has also contributed importantly. And, as I indicated earlier, advertising made a major contribution by pre-selling customers on many products. The diversifying merchant's problems of selling non-traditional goods are minimized when a pre-sold customer can serve herself conveniently from an open fixture with a strong assist from a package that is in itself an effective selling tool.

The time is too short to report in any depth on the third important development we have chosen, the growth of discounting in this country.

First of all there are many types of discount operations and we have problems of definition. Discount merchandising is a form of low-margin retailing made possible by the maximum application of customer self-service, the selection for sale of readily salable merchandise, and the elimination of unneeded services and facilities. The focal point for the discount retailer is the spread between cost and selling price, or in other words, the gross margin. Operating on a considerably lower margin than the conventional retailer as the result of economies effected, the discounter can emphasize the prime customer appeal of low price.

We can say that successful discount stores that we have observed have the following common characteristics:

1. Operating costs are low (expressed as percent of sales, typical payroll costs are 6-7 percent, for example, as compared with 18.25 percent in department stores).
2. Mark-on is also low (19-22 percent of sales is typical as compared with a 39.3 percent department stores figure).
3. Sales volume is relatively high.
4. Turnover is high (12 times annually is not uncommon. Department stores get 3.8 turns.) (As you may know, turnover is determined by dividing the total sales for a period by the average inventory for the period.) (Both figures must be at cost or at retail.)



5. So-called "fringe" merchandise is not carried in stock. An old maxim goes: "Thick on the best, thin on the rest." This means, of course, to carry deep stocks of best-selling items and limited quantities of slower-selling items. The discounter emphasizes this policy. For example, a recent trade study indicated that one big New York store carries some 129 separate styles of men's white dress shirts ranging from \$1.99 to \$14.09 each. In comparison, one of the leading mass merchandising operations carries 35 styles ranging from \$1.49 to \$6.99 each.

A manufacturer of low-priced clothing, Spartan Industries, analyzed orders received for its lines from conventional retailers and from discount houses. They found that a typical order from a conventional store covered about five times as many different style numbers in their line as was included in a typical order from a discount house. In other words, a typical fifty dozen order from a conventional retailer would be spread over from five to ten styles while a fifty dozen order from a discount house would be limited to one or two styles.

When this manufacturing firm estimated what this represented in savings in manufacturing and in inventory investment, as well as in such elements as packaging, materials handling, warehousing, record keeping and freight it went into the discount store business itself, operating 22 as of the close of 1961.

6. A charge is made for all extra services. Stephen Masters, President of Masters, Inc., New York City, one of the country's largest discount house chains, has said, "At Masters the price the customer pays is the stripped-down price. The goods are handed out in the factory-sealed carton, so there is not even a charge for extra handling, repacking, or relabeling. It is grade-A, first-quality product, with a famous brand name on the carton, and it's guaranteed. That doesn't mean our customer can't get service; he can. He can get delivery, repair, or credit service, if he likes - but he pays for it. The customer who does not want extra service does not pay for it."

Masters has also said, comparing the operations of his stores with department stores, that Masters has a salary cost of 7 percent of net sales, compared with a typical 18 percent in department stores: "and our actual salaries are higher because we have cut out unnecessary personnel--92 percent of our people sell compared to less than 50 percent of theirs."

Other common characteristics include: Ample parking facilities, customer self-service with checkout operation, mass display of goods, and extensive use of automated recording, processing and control of sales and business information.

Building costs per square foot of today's discount stores are estimated to range from \$6 to \$10. This compares to an estimated range for department stores of \$14 to \$18. Similarly, estimated fixture costs per square foot are \$1.50 to \$3 as compared with an estimated \$5 to \$8 range for department stores.

In 1961, according to trade sources, (and I must emphasize that this and the other discount store data I am using are completely unofficial) discount store sales amounted to more than \$4 billion. As a matter of comparison, traditional department stores sales in 1961 were about \$14 billion.

Several factors contributed to the very substantial growth of discount stores. Many believe that discount stores filled a sizeable gap that was left unfilled when the department stores chose, in many cases, to omit basement operations from the branch stores they opened in shopping centers. Trade studies have indicated that discount stores make their greatest appeal to the low and middle income groups that, in pre-shopping center days, bought heavily in the basement sections of downtown department stores.

The pre-selling of consumers on national brands through national advertising was a major element in the initial success of discount stores. Because of their confidence in a particular brand, many consumers were willing to forego services in dealing with a discount house, if by so doing they achieved a lower price for the desired branded item.

Unfortunately, we do not have time to discuss several other important developments which characterize today's retailing picture--the extensive use of consumer credit, the massive population shifts to the suburbs of our metropolitan areas, the increased use of and dependence on automobiles in shopping, the growth of shopping centers, the increased importance of the service trades in our economy--these are only a few such developments.

I hope that you will indicate by your questions the particular subjects that especially interest you.







UNITED STATES DEPARTMENT OF AGRICULTURE  
Agricultural Marketing Service

WHEAT SEDIMENTATION TEST

Talk by Lawrence Zeleny  
Grain Division

at the 40th Annual Agricultural Outlook Conference  
Washington, D. C., 10:50 a.m., Friday, November 16, 1962

Announcement was made by the USDA a little more than a year ago that, beginning with the 1962 crop, sedimentation value would replace protein content as a basis for hard wheat loan value premiums paid to farmers in connection with the wheat price support program. The purpose of this change was to encourage the production of "strong" wheat, that wheat which is of greatest value for using straight or for blending with weaker wheat for the production of bread flour. Wheat strength depends primarily on protein content and gluten quality. Since sedimentation value reflects both of these factors, it is considered to be a better measure of wheat strength than is protein content alone.

Objections to the new wheat sedimentation program have been raised both on practical and scientific grounds. Some prominent cereal chemists have challenged the contention that sedimentation is in any way superior to protein as a measure of wheat strength, or even that the sedimentation test is of any value at all in measuring wheat quality. Extensive statistical data relating to this subject has been obtained for the 1962 hard wheat crop.

A prominent midwestern commercial cereal laboratory has conducted a broad survey of the quality of the 1962 hard wheat crop. Milling, bread-baking, farinograph, and chemical tests, including protein and sedimentation tests, were made immediately after harvest on 3591 samples of wheat obtained from 31 areas of production in the 10 principal hard red winter and hard red spring wheat producing States. Data on 20 percent of the samples from each of the 31 areas of production were furnished to USDA through arrangements made by Great Plains Wheat, Inc.

Statistical analysis of the data shows that, in 18 of the 21 hard red winter wheat areas of production and in all of the 10 hard red spring wheat areas, sedimentation correlated more highly with overall bread-baking strength than did protein content. The superiority of sedimentation over protein was quite great in most of the areas, especially in the case of hard red spring wheat. Likewise, sedimentation correlated more highly with baking strength than did either mixing time, mixing tolerance, water absorption, MTI, or valorimeter value in a large majority of the areas. Again the superiority of sedimentation over the various farinogram characteristics was quite marked in most instances. The correlation coefficients by classes are shown in Table I.

Table I. Correlation coefficients (r). Various factors vs. "flour evaluation score" (a measure of bread-baking quality based primarily on bread-baking test).

	CLASS		
	HRW	HRS	HRW and HRS
Number of production areas	21	10	31
Number of samples	533	186	719
Sedimentation vs. score, r	.91	.77	.93
Protein vs. score, r	.71	.46	.74
Mixing time vs. score, r	.74	.54	.70
Mixing tolerance vs. score, r	.72	.42	.60
Water absorption vs. score, r	.74	.36	.77
M.T.I. vs. score, r	-.78	-.51	-.78
Valorimeter value vs. score, r	.86	.58	.85

It may be concluded that, for the 1962 United States hard red winter and hard red spring wheat crops, the sedimentation test in most areas provided a considerably more reliable measure of the bread-baking strength of wheat than did the protein content test or any of the farinogram characteristics commonly used as measures of wheat quality. In addition to being more reliable, the sedimentation test is simpler and more rapid to apply than any other tests with which it was compared.



WORLD ECONOMIC SITUATION AND OUTLOOK

Speech by W. Michael Blumenthal  
Deputy Assistant Secretary of State  
at the 40th Annual Agricultural Outlook Conference  
Washington, D.C., 2:00 p.m., November 13, 1962

I am honored to be invited a second time to participate in this national agricultural outlook conference. Last year I talked about the World Economic Situation and Outlook -- today my subject is the same. I would like to be able to report that many of the problems facing us a year ago have been solved during the last 12 months. Unfortunately, few world problems are irrevocably "solved," old problems seem to fade into new problems which are sometimes more, sometimes less vexing than their predecessors. If we look at the world economic situation in terms of decades, however, we can see certain dramatic successes as well as numerous dangers. But, from year to year, we can only try to spot key trends -- either favorable or unfavorable -- which promise to shape the world economy. And, of course, our job is to try to influence these trends.

Two great economic trends dominated the past decade: The economic resurgence of Europe which has surpassed all our expectations; and the drive toward economic development of the impoverished areas of Latin America, Asia, and Africa. The problems of economic development will be with us as far ahead as we can see. While much progress can and must be made, we should not deceive ourselves that this process can be compressed into a decade or two. We are also learning that economic development, and the political, social, and cultural transformations that must accompany it, involves dislocations, instabilities, and dangers. Just as nuclear fission potentially may be used either for the great benefit of mankind, or for its destruction, the radical changes inherent in economic development generate forces which can have destructive as well as constructive outlets.

Europe's economic performance is historic for its direct effect on the world's balance of forces, and more significantly for its demonstration of the vitality of liberal and open societies. I remind you of the pessimism of a few years ago, especially following the first sputnik, when we fully realized that free nations had no monopoly of advanced technology. The Soviet Bloc, at great cost to its own people, is able to maintain a vast modern war machine. But it is becoming increasingly evident that the bloc is having difficulty establishing a balanced modern economy. It has not increased agricultural productivity, and even though Soviet industrial output up until now has been rapidly expanding, low industrial productivity is becoming a bottleneck. Without question, the European unity movement, sparked by the Common Market, combined with continued United States strength, has now taken center stage from the Communists. This dramatic revival of Europe is of fundamental importance to the United States. Complex economic issues -- particularly in the field of agriculture -- surround the European unity movement. But in our efforts to work out solutions to these issues we should keep clearly in view

the broad range of mutual interest we share with Europe. A strong and free Europe exercising its world responsibilities is an essential component of United States policy.

Major forces shaping the world economy have not changed significantly in the past year. Nevertheless, the situation differs in certain respects. The immediate economic problems we face now do not necessarily assume the same form as those which concerned us last year, although they stem from the same basic causes. Before commenting on the more pressing of these immediate issues, however, I will survey what seem to me to be certain key elements in the world economic situation.

Looking first at the advanced industrialized nations, the condition of the United States economy is the most important single element in the world economy. For much of the past decade our economic growth has been at an unsatisfactory rate of 2% to 3% a year. Our unemployment rate has been above 5% since 1957. Although recent unemployment figures have shown encouraging decreases, most forecasts of the U. S. economy in 1963 indicate a continuation of the trend of the past decade. As President Kennedy has pointed out, this rate of growth is inadequate. I am sure that the next Congress will have before it major measures designed to deal with this situation.

In Western Europe, the Common Market economy has been growing at double the U. S. rate, or at close to 5% annually. In 1962, the six nations of the EEC are increasing their combined GNP by about 4½%, and the consensus of 1963 forecasts is that growth next year should be at close to the 1962 rate, although there are signs of some further slowing of European expansion. The situation in Britain, moreover, in some respects resembles that in the United States. Steps necessary for the short-term defense of the dollar and sterling have limited the ability of both countries to adopt measures to stimulate their domestic economies. British national output so far in 1962 has been only about 1% over the 1961 level, although the growth rate appears to be picking up in the fourth quarter. Japan's growth rate has been the most spectacular of any industrialized country, but the Japanese economy remains heavily dependent on exports. Any contraction in Japan's export markets could have severe repercussions on this economy.

Taking the industrialized countries as a group, the level of economic activity is in some areas short of full capacity. We should be growing faster. A few noted international economists have even hinted that we may face a period of deflation. Certainly inflation is not our worry now. And yet, if you will excuse a degree of optimism on my part, I feel that talk of deflation reflects unjustified fears of 1932. The past 30 years have brought vast changes in the world economic system. If deflation should appear a genuine threat, no advanced government would hesitate to take the necessary offsetting actions.

Aside from the tandem problems of growth and unused economic capacity, the industrialized nations face one other major economic problem -- international monetary policy. During the past few years the international monetary system has experienced periods of considerable strain. This strain has resulted, in part, from pressures on the two international reserve currencies, the dollar and sterling. Over the longer term, a number of eminent economists



have feared the appearance of a shortage of international liquidity, particularly when the present reserve currency countries produced payments surpluses. The cooperative action taken this year to supplement IMF reserves through loans up to \$6 billion from the major industrialized members is an important step in increasing international liquidity.

The September meeting of the International Monetary Fund and World Bank reflected the greatly increased confidence in the dollar. The United States is improving its balance of payments position, and if our position develops as expected the basic deficit should be wiped out by the end of 1963. The consensus of most authorities in this field is that, while we cannot be lax in pushing our export and other payments policies, the dollar position is well on the road to equilibrium.

The economic situation and outlook in the less developed countries is generally less auspicious than in the industrialized nations. Before reviewing growth rates and other statistical evidence, however, I should make one reservation. Except in such areas as world commodity prices, or international trade, statistics on growth rates may either be incomplete or may not accurately reflect the real situation of a developing nation. The development process involves an organic change in an entire society; it is difficult to evaluate this change with a handful of not always accurate statistics. With this caveat, I will cite a few figures which indicate that some developing countries are doing better than others. I will also review a few trade and price statistics which point up a serious problem.

Industrial production, including both manufacturing and extractive industries, for all developing countries has increased by one-third since 1958. This rate of increase in industrial production is considerably faster than in either the United States or Europe, but of course it is measured from a base a small fraction of that in industrialized nations. While this general picture is encouraging, there are wide variations from the average. We can be encouraged by industrial growth in India and Pakistan where output has increased by about 40% since 1958. The picture in Mexico is also encouraging with industrial production in early 1962 close to 30% above 1958 levels. (By comparison, United States industrial production in August this year was 26% above the 1958 level). On the less encouraging side, industrial output in all Latin American countries combined in 1961 was only 18% above 1958. Output in Argentina was slightly lower than in 1958.

While on balance we can be encouraged by these increases in industrial production, growth in developing countries' exports is disappointing. Moreover, the unstable and declining prices of many primary commodities is becoming an increasingly serious problem. The export earnings of less developed countries taken as a group increased by 4% from 1958 to 1959, by another 6% from 1959 to 1960, but since 1960 these nations' total export earnings have remained virtually static. During this period significant increases in export volumes have been largely offset by price declines. The unit value early this year of all less developed country exports -- of which primary commodities compose close to 90% -- was 6% below 1958 levels. African export unit values were 11% below 1958. These are general statistics, the picture for individual countries or commodities reveals, in some cases, much sharper declines.



Coffee prices have dropped from a 1953 level of close to 60¢ a pound to about 35¢ today. During this period, Brazil's annual export earnings from coffee have declined by more than \$350 million, and Colombia's coffee earnings have fallen by close to \$200 million. Similarly, cocoa prices have declined from a 1953 level of about 37¢ a pound to the present level of about 20¢. I will review the steps we are taking to deal with these commodity problems in a few moments.

I would like to single out the situation in Latin America for brief special comment. Two weeks ago, I attended the Mexico City meeting of the Inter-American Economic and Social Council. The conference proved a useful occasion to review achievements of the Alliance for Progress and to define more precisely the nature of the development problems which face Latin America. As you know, the Latin American economic picture is not as bright as we would like to see it. Production in the area, which expanded by 7% in 1957, slowed to about 4% in 1961, while population increased by close to 3% during 1961. Last year, therefore, per capita increase in GNP was only about 1%. The picture for 1962 appears to be no brighter. The reason for this retarded growth can be traced in part to low commodity prices, and especially to the general political malaise which unfortunately seems all too typical of developing nations. Political instability and uncertainty about treatment of foreign investment, predictably, has all but dried up net inflows of foreign private capital; and capital flight has become a serious problem in a number of Latin American countries. The immediate outlook for the area, therefore, appears uncertain, although such countries as Mexico are pockets of strength. While I do not minimize the risks, we should not be overly pessimistic about Latin America. It would be ridiculous to expect the Alliance for Progress to solve problems of the centuries in a year or two. In the course of this decade, however, we still have reason to expect a great forward step by our neighbors to the South.

One clear failing of the Alliance for Progress has been its inability to attract increasing amounts of private investment, both domestic and foreign. As I have mentioned, political instability usually frightens private investors. While this investment decline is not surprising, therefore, it is doubly regrettable in that not only is it a symptom of political turmoil, but it also jeopardizes prospects for development. As Secretary Dillon stated at the Mexico City meeting, the plain fact is that private enterprise has not always been made to feel part of the Alliance. Public funds on a scale adequate to finance the enormous needs of the Alliance are simply not available. The vast resources of the private sector -- both financial and managerial -- must be enlisted if the Alliance is to have lasting meaning.

I will complete this general survey with a few comments on the economic situation in the Soviet bloc. The dramatic failure of the Communist Chinese development effort is evident for all the world to see. While the regime has been able to import enough food to avert widespread starvation, and more favorable weather has improved prospects for this crop year, Communist China in its much publicized "great leap forward" has fallen flat on its face.

In the Soviet Union agriculture also continues a major problem. The failure of Soviet farms to increase output per worker has denied much needed labor to industry. Industrial output has been expanding at the rapid rate of about 6½% annually during the past decade, but largely due to failure to achieve

productivity goals this growth rate now appears to be slowing. Moreover, Soviet industry is experiencing difficulties which do not show up immediately in the statistics. Production is not declining absolutely, but there are a number of indications that volume output is achieved at the expense of quality. Misallocation of materials and other resources is also acting as a drag on growth rates. The importance of this failure to increase industrial productivity becomes apparent when we consider the major portion of Soviet resources preempted by the military, and the failure of the agricultural sector to release more labor to industry.

One development of interest from our point of view is the disillusion of several less developed nations in light of their experience with Soviet trade. The delegate of one African nation commented at a recent conference sponsored by the UN that his country was having difficulty living up to the terms of a bilateral trade agreement it had concluded with the Soviets. The problem, he explained, was that his country had great difficulty finding products produced in the bloc that they wanted to buy. This nation's importers seem to prefer products from the West or Japan rather than the bloc. The Government also wanted to get the most for its money, and, this delegate implied, values were better on free world markets than in the bloc.

Turning now from this general survey, I will comment on two issues on which we are now focusing considerable attention: the questions of trade in agricultural products, and of less developed country primary commodity exports.

Our present concern with trade in agricultural products stems most immediately from the formulation of the Common Market's common agricultural policy, or CAP. Grains exporters, especially, have reason to follow developments in Europe closely. Our interest in maintaining traditional European markets, the complexity of the new CAP regulations, and especially the uncertainty as to the ultimate impact of these regulations have naturally led to concern on our part. While this concern is justified in many respects, we should bear in mind that the trends in European agriculture which are squeezing certain of our traditional grain markets long antedate the CAP. It is far from certain that we would be better off under six separate restrictive schemes than under the single system which is being put into effect. The productivity increases and wheat consumption trends which are at the root of this problem are products of our modern society, not something dreamed up by the technicians in Brussels. In short, the common agricultural policy is an important step in the European unity movement; it is based on certain realities of European and world agriculture. We should focus our attention and efforts on these basic problems rather than expect them to wither away under the fire of harsh words directed at the CAP.

The realities of world grains production and trade appear to me to include, as I have indicated, the productivity increases which make it possible for North America to feed the world or for France to feed Europe. We also must face virtually static consumption of wheat in advanced countries. The bright spot in this picture is feed grains. Income elasticity in Europe today for meat and poultry is on the order of a 3% consumption increase for every 1% rise in income. European imports and consumption of feed grains have been growing rapidly. Feed grains are our great potential agricultural market in Europe.



The problem, as you well know, is whether lower-cost grains imports will be able to maintain their traditional market position, or whether these markets will be preempted by expanding European output. The key question here is price. The higher the price paid to the European farmer, the more he can invest in increasing productivity, and the more marginal farmers are encouraged to stay on the land. We therefore have a direct -- indeed a vital -- interest in obtaining the lowest possible European wheat and especially feed grain prices. We anticipate that the adjustments in the world grains trade stemming from Britain's prospective entry into the Common Market can best be brought about through the mechanism of a world grains agreement. In the negotiation of this agreement we will want to focus hard on this price issue. It is in the interest of United States grain producers, of all efficient world grain producers, and of all consumers, that a world grains agreement should seek to establish the lowest practicable grains prices. To obtain this objective we must be prepared to bargain. We can hardly ask Europeans to negotiate their producer prices while maintaining that our own are not negotiable. In brief, it is in our interest to obtain low prices; we must be prepared to negotiate our domestic pricing arrangements in order to achieve this goal.

Our concern about U. S. agricultural exports is by no means limited to grains, although, as I have indicated, the complexity of the grains problem is more than enough to keep us busy. Our trade expansion effort -- including most importantly the implementation of the new trade authority voted by Congress shortly before it adjourned -- will include a major drive to maintain and expand U. S. export markets for such products as tobacco, fresh and canned fruits, and poultry as well as grains.

The negotiations under the new Trade Expansion Act will be of immense importance to American agriculture. These negotiations will depart in important respects from previous tariff-cutting sessions. It would be premature to speculate on the precise manner in which we might expect the negotiations to be conducted, or on the details of the final package of agreements. But you may be interested in some of our preliminary expectations as to the effect of these negotiations on U. S. agriculture. For products covered by the CAP variable levy -- grains, poultry, and dairy products, among others -- traditional reciprocal tariff-cutting is meaningless because tariffs have been replaced by other trade controlling devices. As I have mentioned, we foresee a world grains agreement as providing the means for our continued participation in the European grain market. A satisfactory arrangement for world grains trade, whether through a grains agreement or in other ways, will have to be one component of the total trade package we negotiate with the Common Market. Similarly, we are exploring various devices through which we can advance the export interests of American producers of other items covered by the CAP. These devices could include negotiating EEC internal price levels, the level of lock-gate prices, the binding of maximum variable levies, or specific access guarantees. We have made no firm decisions as to which device or devices are most appropriate in each individual case. Our only commitment is to use whatever mechanism seems most likely to advance U. S. agricultural exports.

I should also remind you that a major portion of our agricultural exports are not covered by the CAP. On these items -- and especially tobacco and fruit -- the various authorities contained in the Trade Act will permit us to bargain down duties. These concessions must, of course, be meaningful and not



negated by quantitative or other restrictions. We should not expect, however, that we can sweep away the elaborate structure of agricultural protectionism during the next two years. What we do hope to accomplish is to allow progressively greater -- although in many areas still controlled -- access into European markets for a wide range of American farm products.

The final topic I am going to mention this afternoon is the problem of commodity exports of less developed countries. The basic causes of this commodity problem are similar to those in temperate agriculture -- productivity improvements and other incentives have in numerous cases increased output far above demand at existing prices. Volume increases in exports have typically failed to offset declining prices, and export earnings of many producing countries have suffered. Unlike temperate agricultural exporters, however, most less developed countries are vitally dependent on export earnings from a few products to maintain their development effort. Declining primary commodity markets do not merely involve losses for producers, but jeopardize the entire economic structure -- and thereby the political complexion -- of a large number of Latin American, African and Asian nations.

This current instability in commodity prices, therefore, is far more serious than market fluctuations in past eras when the world was a larger place, and economic development had not become a central element in our foreign policy. We are doing several things in an attempt to counteract the disruptive effects of commodity price instability. We are attempting to expand markets for primary commodities by pressing for the progressive removal of tariffs, discrimination and internal taxes in industrialized countries. We are actively considering a global compensatory financing mechanism which would seek to blunt the impact on developing nations of fluctuations in export earnings. In special instances, we have negotiated, or are considering, global commodity agreements embracing both producing and consuming nations. These agreements, of which the recently negotiated coffee agreement is a prime example, seek to check disruptive price fluctuations and deterioration pending more basic reforms.

Our purpose in concluding commodity agreements, in brief, is to provide a breathing spell -- to buy time -- during which we can deal with the basic problem of over production. Unless we are able to bring supply and demand into better balance, commodity agreements will inevitably fail. The only long-term solution we see is to shift resources out of production of surplus commodities into other areas -- especially processing and manufacturing.

The situation facing many developing countries is this: import requirements will increase as industrialization progresses; export earnings from primary commodities cannot be expected to meet these growing needs as demand for these products is limited; if development is to continue, these nations must receive more aid or export a more diversified range of goods. I do not think I am presenting the alternatives too starkly by stating that the industrialized nations, and especially the United States and our principal European allies, face three choices: We can ignore the problems and aspirations of the less-developed nations, at one stroke denying our own faith in the dignity of man and leaving most of the world for the Communists. We can make ever larger donations of foreign aid indefinitely. Or we can progressively widen our import markets for agricultural and manufactured goods from developing countries.

Our three choices, of course, are not choices at all. We have no practicable long-run alternative but to import increasing amounts of less-developed country products -- and not merely those such as coffee, cocoa, or bananas which we do not produce.

We must, of course, find ways to import progressively increased amounts of labor-intensive manufactured goods, but I would like to comment more specifically here on the relationship between United States agricultural trade policies and our economic development policies. American agricultural exports have often played a key role in alleviating hardship and in stimulating development. On other occasions, however, our shipments of surplus products may prove less valuable than other forms of assistance. We should not delude ourselves into believing that our failure to curtail domestic surpluses is an unmixed blessing for the rest of the world. In many cases, U. S. agricultural exports are essential to development programs; we must continue shipments in these situations. But a significant portion of our national wealth which is devoted to surplus agricultural production and disposal could be better spent on other forms of economic assistance.

On the import side, one of the issues the advanced countries must face is the question of protectionism, including agricultural protectionism. The practice both of the United States and of Europe of granting economic assistance with one hand, while limiting developing nations' ability to export with the other, requires re-evaluation to see if there are not more constructive alternatives. And I should emphasize that this is a problem to be faced by all industrialized nations, not the United States alone. These increased imports will create some difficulties. The adjustment assistance provisions of the new Trade Act open promising avenues for working out many of these difficulties. Other more intractable problems may require a common approach embracing all potential major exporting and importing nations. We must face this issue directly. We have to devise mechanisms which permit a continuous growth in a wide range of imports from developing nations while easing the impact on vulnerable domestic producers. A rising level of imports from developing nations will, in turn, lead to expanding United States exports to these countries.

In closing, I would like to summarize certain implications for the United States of this tour of the world economic horizon.

First, if we expect other nations to adopt agricultural policies which leave room for American exports, we must be prepared to adapt our own programs to meet global, not merely national criteria.

Second, if we are genuinely interested in the development of the nations of Latin America, Africa, and Asia, we must be prepared to deal with the trade implications of our development policies. Markets for primary products are limited; the only way these nations can earn enough foreign exchange for development is to diversify their export lines.

Third, to maintain our defense and foreign aid efforts, and to provide the dynamism and flexibility necessary to adjust to changing conditions, we must accelerate the growth rate of the United States economy.

The United States is the largest single component in the world economy. We have no choice but to conduct our national economic policies in light of combined national and global objectives.



UNITED STATES DEPARTMENT OF AGRICULTURE  
Foreign Agricultural Service

WORLD COARSE GRAIN SITUATION AND OUTLOOK

Talk by Roy L. Neeley  
Grain and Feed Division  
at the 40th Annual Agricultural Outlook Conference  
Washington, D. C., 10:50 A. M., Thursday, November 15, 1962

The volume of world trade in coarse grains has increased rapidly in the last ten years. A total of 30.7 million tons of coarse grains moved in international trade during 1961-62, as compared to 25 million in the previous year, and an average of 14 million tons during the period 1951-55.

The steady growth of world trade in coarse grains has resulted primarily from the general economic growth in much of the world. Increased individual income and improved standards of living in Western Europe and Japan have been accompanied by increased consumer demand for livestock products, thus an increase in demand for livestock feed. Likewise in these areas, a rapid growth of the starch milling industry has expanded the demand for coarse grains, especially corn.

Coarse grain production has increased in the grain deficit areas of Europe, but not rapidly enough to satisfy increasing demand. Increased production in other parts of the world, especially in Thailand, has not kept pace with increasing world demand. Improvements in balance-of-payments situations in many countries have helped greatly in the expansion of world trade.

A great number of exporting countries has benefited from the increased world need for coarse grains; namely, the U. S., Argentina, Australia, South Africa, and Thailand. The U. S. exports, however, have shown by far the greatest increase. The fact that the U.S. has enjoyed the greatest portion of the export growth results largely from having the world's only substantial reserve supply. The 1961-62 U. S. exports of coarse grains totaled 17.4 million tons, about 5 million tons above the exports for the previous year, and almost three and one-half times the 1951-55 average of 5.0 million tons.

#### Outlook for World Exports

The 1962 world production of the principal feed grains (corn, barley and oats) is expected to be about the same as last year. Reduced production of corn and oats is offset by increased barley production.

The world demand for feed stuff is expected to continue growth in 1962-63. The volume of export trade, however, may be somewhat below last year's record level due to more favorable domestic production and increased supplies of feed wheat resulting from adverse harvest conditions in Europe.

#### Outlook for U. S. Exports

U. S. coarse grain exports in 1962-63 are tentatively forecast at 14.3 million tons, about 3 million tons below the record of 17.4 million in



1961-62. The impact of the Common Market regulations and favorable domestic production in Europe will be the principal causes for the expected downward trend. Relatively large stocks of wheat suitable only for livestock feed will have a depressing effect on European sales.

The demand for animal feeds in Japan is increasing at an unprecedented rate, and imports are required to satisfy most of this increase. The U. S. provides a large portion of this demand, but Thailand is becoming an important supplier for this market.

Increased production of barley in Western Europe this year has provided a surplus stock which will find its way into the EEC market channels. The greatly increased demand for corn by Mainland China, the favorable prices offered, and the readiness with which payments have been made for shipments received, have created a large, though temporary, outlet for corn. Thailand, Australia and South Africa are looking with considerable interest at this new market. These traditional suppliers of coarse grains may thus be less a factor in the usual export market.

World coarse grain utilization is expected to be above last year's level, but it is anticipated that world exports of coarse grains will be slightly below those of last year. U. S. exports are expected to drop approximately 13 percent below the 1961-62 level. The long-run trend for U. S. exports is for a more gradual annual growth than during the last ten years.

UNITED STATES DEPARTMENT OF AGRICULTURE  
Foreign Agricultural Service

WORLD WHEAT SITUATION AND OUTLOOK

Talk by Arthur M. Cummings  
Grain and Feed Division  
at the 40th Annual Agricultural Outlook Conference  
Washington, D. C., 10:50 A.M., Friday, November 16, 1962

World production in 1962 is forecast at approaching 8.5 billion bushels, about 7 percent above 1961 and was exceeded only by 1958 when a total of 8.7 billion bushels was harvested. Revisions of world production forecasts are expected since firm estimates of most Southern Hemisphere crops are not yet available.

This year's wheat production in North America is estimated at 1,680 million bushels, above 1961 and the 1955-59 average, but 11 percent below the record 1960 harvest. Canada's production of 531 million bushels was a sharp increase over the poor crop of 283 million a year ago and offset the reduced production in the United States of 1,095 million bushels this year compared with 1,235 million bushels in 1961.

The wheat crop in Western Europe is estimated at a record 1,550 million bushels, 290 million above the small 1961 crop. The most significant gains are in France, Spain, Italy, West Germany, and the United Kingdom. Increased acreage coupled with higher yields were responsible for the increase. Eastern Europe's wheat crop of an estimated 545 million bushels is well below the bumper crop of 1961. Less favorable growing conditions and reduced yields more than offset a larger acreage. A reported 8 percent wheat acreage increase over the 1961 acreage in the Soviet Union was offset by draught in a number of regions. Production, therefore, might not exceed the 1961 outturn.

Approximately 2 billion bushels are estimated for the 1962 Asian wheat crop which would be a new record. Principal increases are indicated in India and Syria. A larger wheat crop of 215 million bushels is reported for Africa. This is considerably above last year's small harvest of 155 million. South America's outlook is less favorable than last year. Preliminary estimates place the 1962 harvest, which begins this month, at slightly less than last year. Australia's wheat crop looks favorable now with prospects for a possible record crop if adequate rains are timed right.

The total volume of wheat and flour trade in 1961-62 amounted to 1,702 million bushels according to preliminary tabulations. This is an increase of 180 million bushels over 1960-61 or a 12 percent increase. Exports from the United States, Canada, and Australia amounted to 718 million, 365 million, and 232 million bushels, respectively. Total exports from these countries were 127 million bushels higher than last year. Shipments from Argentina and France also were higher than the previous year.

Smaller 1961 crops in Europe, Africa, and parts of Asia created larger markets and resulted in the expansion. An exceptional demand for durum wheat occurred due to small 1961 crops in principal durum producing countries. Wheat import requirements were smaller in India, but remained high in Communist China.

Argentina and France joined Australia and Canada as substantial exporters to Communist China. Australia and Argentina have reportedly sold out their 1961 crops, or are holding them to supply traditional markets. Carryover stocks in principal wheat exporting countries had declined substantially at the close of the 1961-62 season.

U. S. exports of wheat, including flour and other products in wheat equivalent, moved upward to achieve an all-time high of 718 million bushels, 9 percent above the previous record in 1960-61. U. S. exports increased to South America and Africa, maintained about the same level to Europe, and declined to Asia. Wheat sold for dollars increased during 1961-62 to account for more than 220 million bushels of total U. S. exports.

#### Outlook for World Trade

World wheat trade is expected to decline substantially during 1962-63 with strong competition appearing among exporting countries for existing markets. The present situation indicates that world import requirements may be some 150 million bushels less than the 1,702 million bushels that are estimated to have been shipped in 1961-62. The principal basis for the expected decline is the higher wheat production reported by countries in Western Europe, North Africa, and parts of Asia.

Import markets in Western Europe are expected to have much smaller requirements in 1962-63, probably 100 million bushels less than last season. A record wheat crop seems likely to reduce import requirements to the quality hard wheats and durum needed to supplement indigenous wheat production.

Large crops in India and Pakistan should cause some reduction in import needs. Mainland China is expected to continue as a large importer, though probably importing less than during the past two seasons.

Large exportable supplies will be available outside the United States this season. Canada's surplus will be moderately larger. France has about 135 million bushels for export. Australia will have a larger 1962 wheat crop and a larger surplus if current prospects materialize. After several years of below average crops, Syria may return to an export position this season as is the case of former French North Africa where last year's crop was very small. Argentina seems to be the only foreign exporter with poorer prospects than last season.

#### Outlook for U. S. Exports

Exports of wheat and products in terms of wheat from the United States in 1962-63 are projected at 600 million bushels compared with the record 718 million bushels the previous marketing year. Both dollar exports and exports under government programs are expected to share in the nearly 120 million bushel reduction.

With the possible exception of South America, U.S. exports are expected to be less to all areas. The expected decline this year will break an upward trend of exports that began in 1958-59.



UNITED STATES DEPARTMENT OF AGRICULTURE  
Agricultural Stabilization and Conservation Service  
Sugar Division

NEW FEATURES OF THE SUGAR PROGRAM

40th Annual Agricultural Outlook Conference  
Washington, D. C., 1:30 P. M., Thursday, November 15, 1962

The principal changes introduced by the 1962 amendments to the Sugar Act of 1948, as they apply at 9,700,000 tons annual sugar requirements, the level that prevailed in mid-1962, include the following:

1. Quotas for the domestic areas as a group were increased 623,500 tons. Those for the offshore areas were reduced 161,500 tons but only until they demonstrate their ability to fill larger quotas. Domestic beet sugar and mainland cane sugar quotas were increased a total of 785,000 tons. These two areas are to share prorata 65 percent of increases in requirements. Of the beet sugar quota for each of the years, 65,000 tons is reserved for new producing localities and factories.
2. All quota deficits, both domestic and foreign, are to be allocated to the Philippines and Western Hemisphere countries.
3. Quotas for foreign countries other than Cuba were increased by a total of 950,000 tons, with an additional 150,000 tons allocated to the Dominican Republic and Argentina from the quota reserved for Cuba. The quota reserved for Cuba was reduced from 3,208,000 to 1,635,000 tons.
4. Quotas for imports of direct consumption sugar from foreign countries were reduced from 507,000 tons under the Act as amended in 1956 to about 75,000 tons.
5. The reduced quota reserved for Cuba will be withheld subject to resumption of diplomatic relations.
6. Importations will be permitted from any country with which the U.S. is in diplomatic relations, as a "global quota", to fill the quota withheld from any country not in diplomatic relations with the U.S. Special consideration is to be given to imports from countries of the Western Hemisphere and those purchasing United States agricultural commodities.
7. All imports of foreign sugar, except those from the Philippines, are made subject to payment of a fee. For the "global quota", the fee is to fill the gap between the world price and a U.S. price that will fulfill objectives of the Act. The rate, initially established and still prevailing in mid-November 1962, is 2.4 cents per pound, raw value. For specific country quotas, the fee is 10 percent of the full rate in 1962, 20 percent in 1963 and 30 percent in 1964. For imports of direct consumption sugar the import fee will be 0.1, 0.2 and 0.3 cent per pound for 1962-3-4, respectively, over the rates on raw sugar.

Sources of U.S. Sugar Supplies in 1962  
and Same Total Distributed on Pattern  
Applicable for 1963 through 1966.

Area	:	1962	:
	:	Adjusted	:
	:	Quotas and	:
	:	Allocations	:
			1963-66 Quota Pattern <sup>1/</sup>
Short tons, raw value			
Domestic Beet	2,550,000	2,795,769	
Mainland Cane	795,000	944,231	
Puerto Rico	890,000	1,140,000	
Hawaii	1,080,000	1,110,000	
Virgin Islands	11,000	15,000	
Total Domestic	5,326,000	6,005,000	
Philippines - Quota	1,050,000	1,050,000	
Deficits	20,000		
Non-quota Purchase	182,401		
Total Philippine	1,252,401	1,050,000	
Other Foreign Countries - Quotas	696,343	1,400,220	
Deficits	701,044		
Global	602,401	1,544,780	
Non-quota purchase	1,421,811		
Total other foreign countries	3,421,599	2,945,000	
Total Foreign	4,674,000	3,995,000	
Grand Total	10,000,000	10,000,000	

<sup>1/</sup> Subject to proration of any deficits to Philippines and other foreign countries.

SU-ASCS-USDA

11-14-62

UNITED STATES DEPARTMENT OF AGRICULTURE  
Foreign Agricultural Service

THE OUTLOOK FOR COMMERCIAL EXPORTS OF FARM PRODUCTS  
AS AFFECTED BY THE TRADE EXPANSION ACT AND THE COMMON MARKET

Talk by Raymond A. Ioanes, Administrator, Foreign Agricultural Service, at the 40th Annual National Agricultural Outlook Conference, Washington, D. C., 2:30 p.m., November 13, 1962

\* \* \* \*

Our thinking about the European Common Market has changed considerably with the passage of time. A few years ago, when the Common Market was launched, we saw it as a development fully meriting U. S. support and encouragement. We were right about that, of course. At the same time, many of us thought that substantial growth of this new market area might be a long time in coming. We missed the mark there. The Common Market has amazed the world--and, I daresay, even its founders--by achieving spectacular success within a relatively short time. Today, the Common Market is an economic giant--our biggest single foreign customer for farm and industrial products. We are increasingly aware of its present and potential importance and influence in the foreign trade field.

This change in our viewpoint has been amusingly pictured by a European cartoonist. He shows in one panel of his drawing a kindly, indulgent-looking Uncle Sam feeding a lion cub from a nursing bottle. The cub, with "EEC" on his collar, is small but lively. That is the cartoonist's idea of the way U. S.-Common Market relationships shaped up back in 1957. The second panel shows his appraisal of the situation in 1962. He pictures a huge, grown-up lion holding in his lap a small, worried-looking Uncle Sam. The lion seems friendly--but he certainly looks as though he wouldn't want to be pushed around.



The lion is still growing. Although the United States had, in 1961, a gross national product over  $2\frac{1}{2}$  times as big as that of the Common Market--\$519 billion against \$200 billion--the Common Market's growth rate is almost twice what ours is.

The lion is growing in physical size as well as in economic strength. Just two weeks ago Greece became an associate of the Common Market. That may be only the beginning. Turkey, Austria, Sweden, Switzerland, and Spain also are seeking some form of association. The United Kingdom, Ireland, Denmark, and Norway have applied for full membership. Should all applicants join the Community, and if overseas countries and territories affiliated with them in trade or other capacity are included as associates, the population of the Common Market would total 485 million, in contrast to the U. S. population of about 185 million.

As the cartoonist suggests, the United States has looked favorably on formation of the Common Market. Cooperation among Western European nations became our national policy with initiation of the Marshall Plan, back in 1947, and has remained our policy up to the present. A united rather than a fragmented Western Europe gives the Free World an invaluable buffer against Communism. And the Common Market could well contain the seeds of East-West peace. Jean Monnet, whose vision had much to do with establishment of the Community, said last spring, "When the partnership of America and a United Europe makes it plain to all that the West may change from within but that others cannot change it by outside pressures, the conditions will exist for a lasting settlement between the Soviet Union and the West."

As I mentioned earlier, the Common Market is a prime outlet for American goods. The area is of particular importance to American agriculture. In 1961 the Common Market took 23 percent of our total agricultural exports to all destinations. That same year it bought 31 percent of all U. S. agricultural exports sold for dollars. And if all applicants for full membership or associate status had belonged to the Common Market in 1961, our dollar exports to the "enlarged" marketing area would have accounted for 51 percent of the farm products we sold abroad for cash--over half.

American agriculture sincerely hopes that the Common Market will follow liberal trade principles in the development of its common agricultural policy. All countries participating in liberalized, reciprocal trade tend to benefit.

The hopes of U. S. agriculture have been realized on some products. When it comes to commodities which the Common Market either does not produce at all, or produces in small volume, we are in good shape. On the list are cotton, soybeans and products, tallow, hides and skins, certain fruits and vegetables, and some other farm products. We can expect our exports of these to the Common Market to expand as the trading area expands. These commodities account for about 70 percent of our shipments to the area.

For the remaining 30 percent of our agricultural shipments to the area, the outlook is less favorable. The biggest problem is the possibility that the Common Market, in formulating its common agricultural policy, will maintain high producer prices for wheat, feed grains, rice, and poultry--prices which will be "insulated" by variable import levies from the price effects of commodities produced in non-EEC countries. Under that system, Common Market producers of farm commodities subject to variable import levies could have absolute protection against imports, depending upon price support levels established within the Community.

The variable import levy is not too well understood in this country. Our tariffs are fixed; they are specific, or ad valorem, or a combination of both. We favor fixed tariffs because they--unlike the "elastic" variable levy--can be readily negotiated. But the variable import levy, whatever our feelings may be about it, is a fact of life in the trade field. Let me show you, with wheat in Western Germany as an illustration, how variable levies work.

I will start off, first, with the West German wheat price structure in October. It looked, in terms of dollars per bushel for German wheat of normal quality, about like this:

Threshold price . . . . .	.\$3.35
Target price . . . . .	\$3.29
Actual market price . . . . .	.\$3.10
Intervention price . . . . .	\$3.07

These prices are not weighted averages, nor do they apply to any particular day. But they are typical and in line with wheat prices prevailing in West Germany in October 1962.

The key price here is the "target" price. This is the level the West German Government wants wholesale wheat market prices to approximate. It is the basis--the starting point--for the other prices shown. Each member country is free, for the time being, to set its own wheat target prices between the maximum price, which is in Germany, and the minimum price, which is in France.



The "threshold" price is the price of normal-quality German wheat at the German border. This is, for all practical purposes, the "minimum" import price at the border which will reflect the internal target price. The difference of 6 cents between threshold and target prices represents the net effect of three factors--a lump sum giving a preference to EEC producers, an adjustment for quality, and freight.

The "intervention" price, or, as we call it in the United States, the "support" price, is the level at which the government makes purchases, if necessary, in the wholesale market. The intervention price can be set at any level between 5 and 10 percent under the target price.

It should be noted that the target, threshold, and intervention prices move up at the rate of 3 cents a month during the marketing year. That allows for storage, interest, and other carrying costs.

The actual market price of \$3.10 a bushel reflects bids and offers of German buyers and sellers. Thus far in 1962, the big German wheat crop has kept market prices closer to the intervention level than to the target level.

In determining the variable import levy, the Common Market determines daily the "adjusted c.i.f. (cost, insurance, freight)" price. In selecting the adjusted price, actual landed prices of wheat from various non-EEC supplying countries are put on an equal-quality basis by subtracting quality differentials. The lowest of these becomes the "adjusted c.i.f." price. The levy for a given day is simply the difference between the threshold and adjusted c.i.f. price. A typical adjusted c.i.f. price in October was \$1.65 a bushel. Assuming a threshold price of \$3.35, the variable import levy was \$1.70. That levy applied equally to all imports of wheat from countries outside the Common Market, not just to U. S. grain.

The market price of \$3.10 assumed for October for West German wheat of normal quality, compared with \$3.62 for imported U. S. No. 2 Hard Red Winter wheat. The price of the U. S. grain was made up of two elements--the \$1.70 variable import levy and the actual c.i.f. landed price of \$1.92. The German importer paid the levy to the West German Government, but paid the c.i.f. price to the American exporter.

The variable import levy of \$1.70 a bushel compares with a levy of \$1.20 in 1961. However, the old levy incorporated a mixing regulation making it mandatory that West German millers use 75 parts of domestic wheat for each 25 parts of foreign wheat included in their grist. That requirement, to insure marketing of the domestic crop, has now been abolished.

Separate regulations cover movement of wheat among Common Market member countries. Briefly, during a 7-year transition period, each member country will apply a separate levy on imports from each fellow member. As prices in the member countries move toward a common level, the levies on intra-EEC trade will diminish. By 1970 there will be a single levy on third-country imports and no levies on intra-EEC trade.

Let us hope--again--that when the common agricultural policy finally crystallizes, that our producers will have been granted reasonable access to the Common Market. Our wheat trade with the Community is important to us, make no mistake about that. In 1961-62 exports amounted to 69 million bushels, which was about equal to the average of the past 6 years. And if the present members, plus all the applicants for full or associate members had been in an "enlarged" Common Market in 1961-62, our wheat exports would have amounted to 180 million bushels.

The same variable import levy system I have just described for wheat is in operation for feed grains. Here, again, our American farmers have a big stake in the decisions that ultimately are made. In the past 6 years U. S. feed grain shipments to the Common Market have almost tripled--from 2.4 million short tons in 1956-57 to 6.1 million tons in 1961-62. This has been a solid development. Prosperity in Western Europe has brought increased demand for meat, poultry, milk, and eggs--a demand that has meant expanded livestock and poultry numbers. U. S. grain has been imported to help supply the additional feed required.

The increase in poultry meat exports to Europe has been one of the notable U. S. agricultural export developments of recent years. From almost nothing in 1955, our shipments of poultry, mainly to Western Germany and the Netherlands, rose to 157 million pounds in 1961.

Part of the uptrend is explained by the increased demand for protein foods I mentioned a moment ago. But market development activity by the Foreign Agricultural Service and the poultry industry have done much to "push" U. S. poultry consumption in Europe. This market development effort has helped to give direction to a potential demand for reasonably priced, high-quality poultry meat.

However, Common Market pricing policies and levies increase the price of imported U. S. poultry--an advantage to Common Market farmers. There is a "gate" or minimum import price of 33.3 cents per pound. Any time imported poultry is offered at a lower price, the difference is offset by a levy. On top of that, there are two ad valorem duties, currently based on the gate price plus a fee to equalize the internal German price of feed grain with world grain prices. The total levy figures out at 9.7 cents a pound. This levy, plus the gate price, (more)



has raised the price of poultry at the West German border. At the retail store, where the housewife buys, it follows that prices also will be higher.

It is hard to tell, this early, just what effect the increased price will have on consumer buying. It will have some, of course. Furthermore, high internal prices for Common Market producers could well speed up poultry production within the area.

Not all of our problems trace to variable import levies. On tobacco, for example, the Common Market has established a duty structure that is not advantageous to our higher-priced, higher-quality leaf. We had, up to recently, a specific duty of 12.8 cents a pound in the Common Market--on the basis of average incidence. Now we have an ad valorem duty of 28 percent, with a maximum of 17.2 cents a pound and a minimum of 13.2 cents. Most U. S. tobacco will pay the maximum duty rate, whereas the lower-quality, lower-priced tobacco produced elsewhere will be admitted at the minimum rate. Our tobacco exports to the Common Market countries have been relatively stable in recent years, ranging rather narrowly between 124 million pounds and 144 million pounds annually. We want to hold what we have; and we would like to expand our sales to the Common Market to the maximum extent possible.

What are the chances of obtaining more liberal treatment for our "problem commodities?"

I'll tell you one thing: All of us concerned with the problem of trade access have been working hard to improve the American position. We know that we will have to redouble our efforts in the months ahead and this will be done. We have already made headway. Here are some of the accomplishments:

Quality wheat: The Common Market has agreed that if the common agricultural policy results in reductions in our historical trade, corrective action will be taken.

Flour: Because we have a small but steady market for flour in the Netherlands, we have urged that the over-protection given flour through a variable import levy system be moderated. We have not gained our point thus far but we are continuing to press the Common Market for remedial action.

All wheat, corn, grain sorghum, and poultry: The Common Market recognizes that the common agricultural policy for these products and particularly the variable levy system may make trading prospects cloudy for third countries. The Common Market has agreed that further negotiations on trade access are needed at an early date. Strong representations have been made by President Kennedy to Chancellor Adenauer regarding the potential harmful effects of the rise of protection given to poultry in Western Germany. This has led to action by the German Government which we hope will eventually result in some reduction in the levy.

Rice: The United States has stressed the trade-damaging effects that a proposed variable levy program could have. There has been considerable support for the U. S. position and thus far the variable levy system has not been put into effect.

Tobacco and vegetable oils: Common Market officials are well aware of U. S. dissatisfaction with the tariff levels negotiated for these products at the 1961 conference under the General Agreement on Tariffs and Trade. They have assured us that they are prepared to consider reductions in these duties during the next general round of tariff negotiations.

Quantitative restrictions: The strongest possible action has been taken to encourage the removal of remaining quantitative restrictions imposed by some of the Common Market countries on items where we have obtained reciprocal tariff reductions. In the recently concluded GATT negotiation, formal proceedings have been instituted under the GATT which will result in our withdrawing tariff concessions from two of these countries unless they make satisfactory progress in eliminating restrictions. This action will be especially helpful to the U. S. fruit industry.

We would certainly acknowledge that this is a fluid situation where negotiations and representation and just plain day-to-day haggling will take place in the years ahead. Remember that we are dealing in a situation which is extremely fluid. Regulations are improperly written, or if properly written, sometimes improperly interpreted. It will take time to obtain adjustments, and we do not argue that in certain cases we will bump up against cold, hard protectionism. We are already doing so. We must meet it when it occurs. We must meet it head-on.



One thing in our favor is the new Trade Expansion Act of 1962, which became law only this fall. The Trade Expansion Act gives us new authority to take to the bargaining table. It will, for one thing, enable us to offer the Common Market and other trading partners deep and broad tariff cuts on their goods in exchange for concessions on U. S. farm products.

In this area there are many opportunities for trade "swaps." The Common Market has been selling us only a small volume of farm products, because the area is not primarily agricultural, but has been shipping us a big volume of industrial goods. It would like to ship us more. We can use many of the industrial goods the Common Market produces; and the Common Market, we are convinced, can profitably use more of our farm products.

But market access is not the entire story. Access must be accompanied with intelligent, persistent market development work. Now, certainly, is no time to let down in our efforts to push sales of U. S. farm products. Nor are we letting down.

As I mentioned earlier, market promotion has helped us increase sales of poultry in Germany. It has helped us expand soybean oil exports to Spain. It has helped to expand tobacco sales to Japan. Exports definitely can be expanded if we provide foreign customers a high-quality product, pricing it competitively, and making a determined effort to sell it. Today we are giving foreign customers a "hard sell."

The United States is sponsoring agricultural market promotion, not only in the Common Market, but also in over 50 other countries. These are cooperative programs, carried on by the Foreign Agricultural Service with the assistance of over 40 trade and agricultural groups. Since 1954 the Federal Government has put in for market development work about \$55 million, and cooperators--U. S. and foreign--over \$23 million, for a total of \$78 million. It has been money well spent.

Promotion work has included advertising, distribution of samples, sponsored visits of buyers to the United States, seminars, motion pictures, brochures, and many other tested merchandising techniques.

Trade fairs have been a very effective means of calling to the attention of the foreign trade and public the high quality and wide variety of U. S. farm products. The United States participated in 24 exhibits overseas in 1962. Four of these--at Manchester and London, England; Munich, Germany; and Brussels, Belgium--were "test sales" exhibits; that is, shows at which U. S. processed foods were sold at retail to the public. In addition to processed foods, commodities promoted were feed grains, poultry, soybean oil and meal, rice, fruits and juices, dry milk, and honey. Since 1955, the Department of Agriculture has taken part in 122 overseas exhibits in 30 countries, with a total estimated attendance of 47 million.

Which should come first--market access or trade promotion? Market access, obviously. However, it sometimes is possible through trade promotion to encourage dismantling of trade barriers. Nothing is to be gained, certainly, by assuming that a trade barrier, no matter how formidable it looks, needs to stand forever.

It is easy to put more emphasis on problems than on opportunities. There may be a tendency, in the case of the Common Market, to look too closely at the dark side. I sometimes catch myself doing that.

In more contemplative moments, however, I feel that events will turn out somewhat better than many folks now believe is possible. I can't believe that the highly developed economies of the world will permanently live behind screens that protect their agriculture.

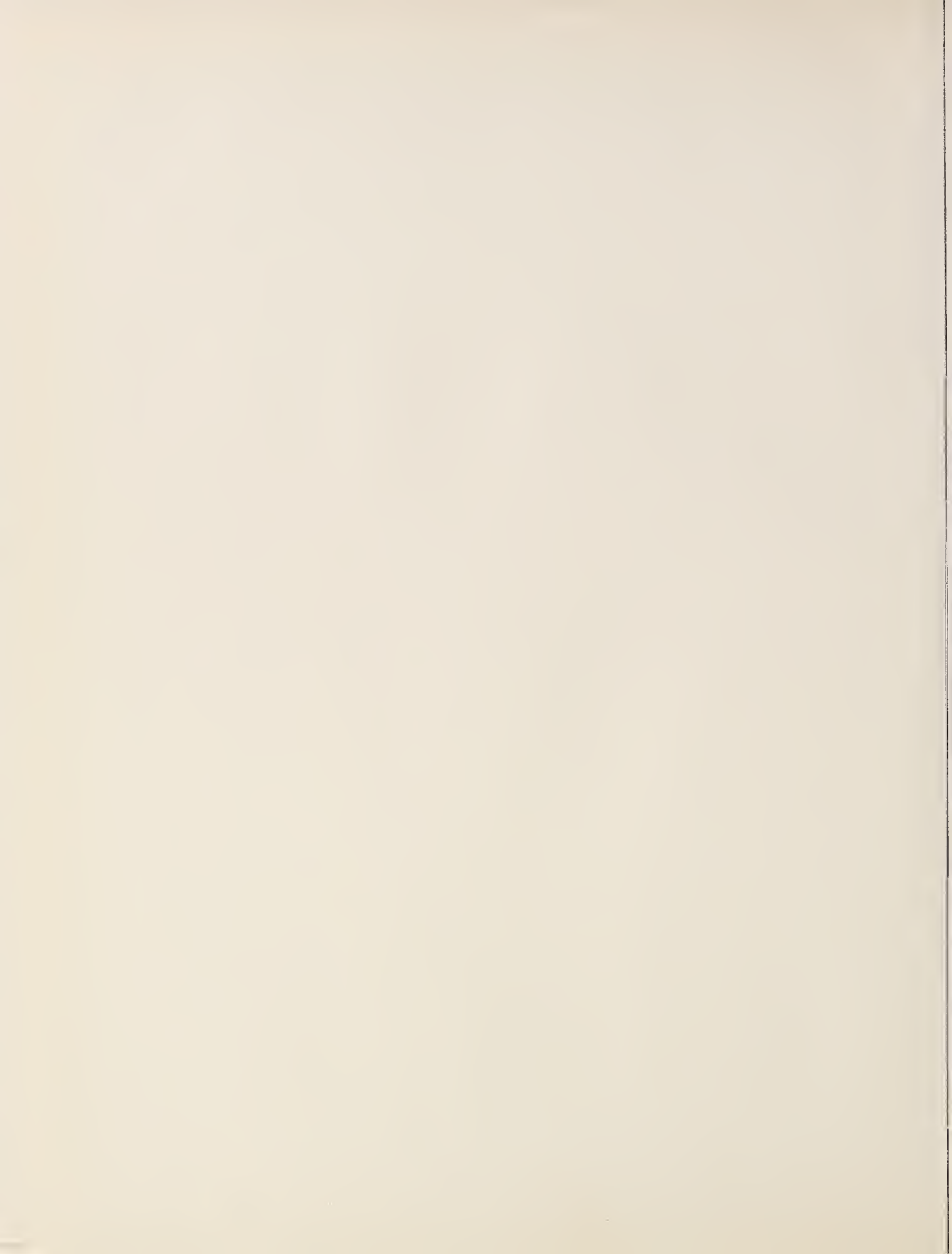
Agricultural protectionism does not meet the needs of consumers at home--nor is it conducive to expanding trade between nations that must live together. Agricultural protectionism is an anachronism in a period when economic development is taking place almost everywhere in the world.

Problems we have--and in abundance. But if we continue to work hard we will come out ahead. Total trade in the decade that lies ahead can hardly go any way but up. That's the way I see the longer range outlook for commercial agricultural exports.











UNITED STATES DEPARTMENT OF AGRICULTURE  
Economic Research Service

OUTLOOK FOR COTTON IN 1963

Talk by James R. Donald  
Economic and Statistical Analysis Division  
at the 40th Annual Agricultural Outlook Conference  
Washington, D. C., 3:45 P.M., Thursday, November 15, 1962

For the second consecutive year, the carryover of all kinds of cotton in the United States is likely to increase. The ending carryover for the 1962-63 season is expected to total around 9.0 million bales. This is over a million bales larger than at the beginning of the season and would be the highest carryover since 1957. The record high was 14.5 million bales on August 1, 1956. After the record high, the carryover trended downward, reaching a low of 7.2 million bales on August 1, 1961. (See figure 1.)

Stocks of cotton held by the Commodity Credit Corporation (owned and held as collateral against outstanding price support loans) also are expected to increase during the 1962-63 season, while "free" stocks may decline. At the beginning of the season, CCC-held stocks totaled 4.7 million bales, up sharply from 1.5 million bales on August 1, 1961, when such stocks were the smallest since 1952. (See figure 2.) Of the 4.5 million bales held by CCC on August 1, 1962, about 3.2 million were acquired from the 1961 crop. Thus far during the current season, the volume of cotton placed under loan has been larger than a year earlier, principally because of earlier ginnings from a larger crop and some lag in demand for cotton.

The carryover is expected to increase during the current season because of a larger crop and smaller disappearance than last season. As of November 1, the 1962 crop was estimated at 14.5 million running bales. This is 200,000 bales larger than in 1961 and the largest crop since 1959. Disappearance during the current season is estimated at 13.6 million bales--300,000 bales below a year earlier and the smallest disappearance since 1958. Smaller disappearance is expected because of a decline in mill consumption of cotton, as exports are expected to total near last season's level.

The 1962 crop is being produced on 15.7 million harvested acres, 84,000 acres more than for the 1961 crop. However, the larger crop for 1962 is primarily a reflection of higher yields--444 pounds per acre compared with 438 pounds in 1961. (See figure 3.) Ginnings from the 1962 crop totaled 9.2 million bales prior to November 1 compared with 8.7 million bales to the same date a year earlier. It is the largest proportion--63 percent--of the crop ginned to this date since 1959.

The national acreage allotment for the 1963 crop of upland cotton has been set at 16 million acres, not including the national acreage reserve. This is about 2 million acres smaller than a year earlier. However, this may

## CARRYOVER OF COTTON\*

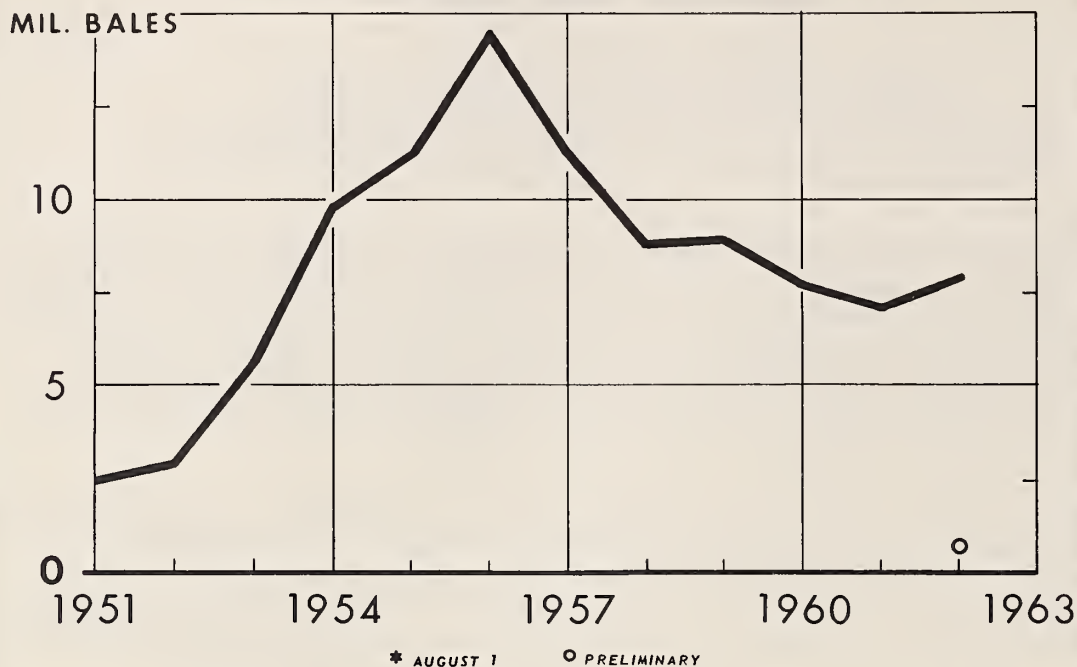


FIG. 1

## CARRYOVER AND CCC\* STOCKS OF COTTON

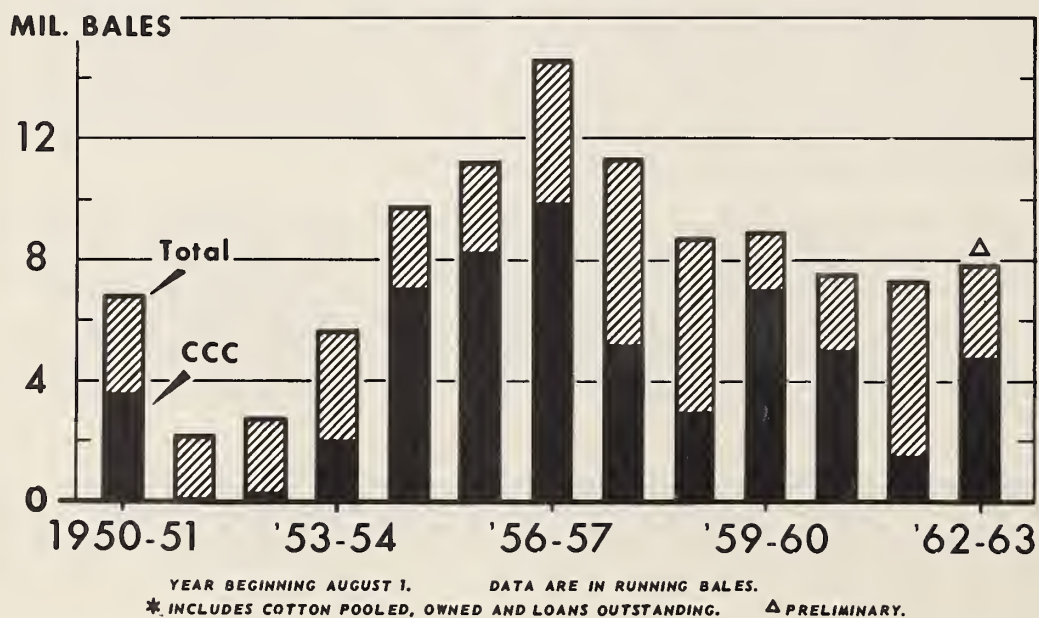


FIG. 2

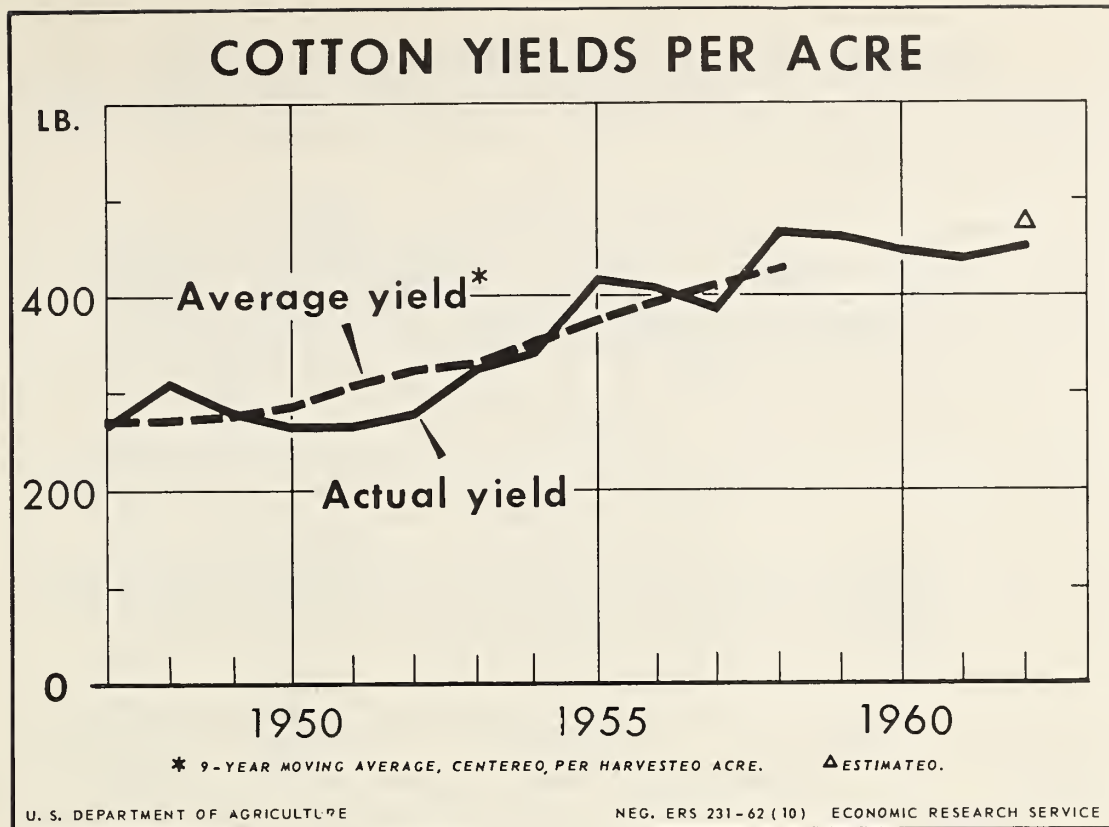


FIG. 3

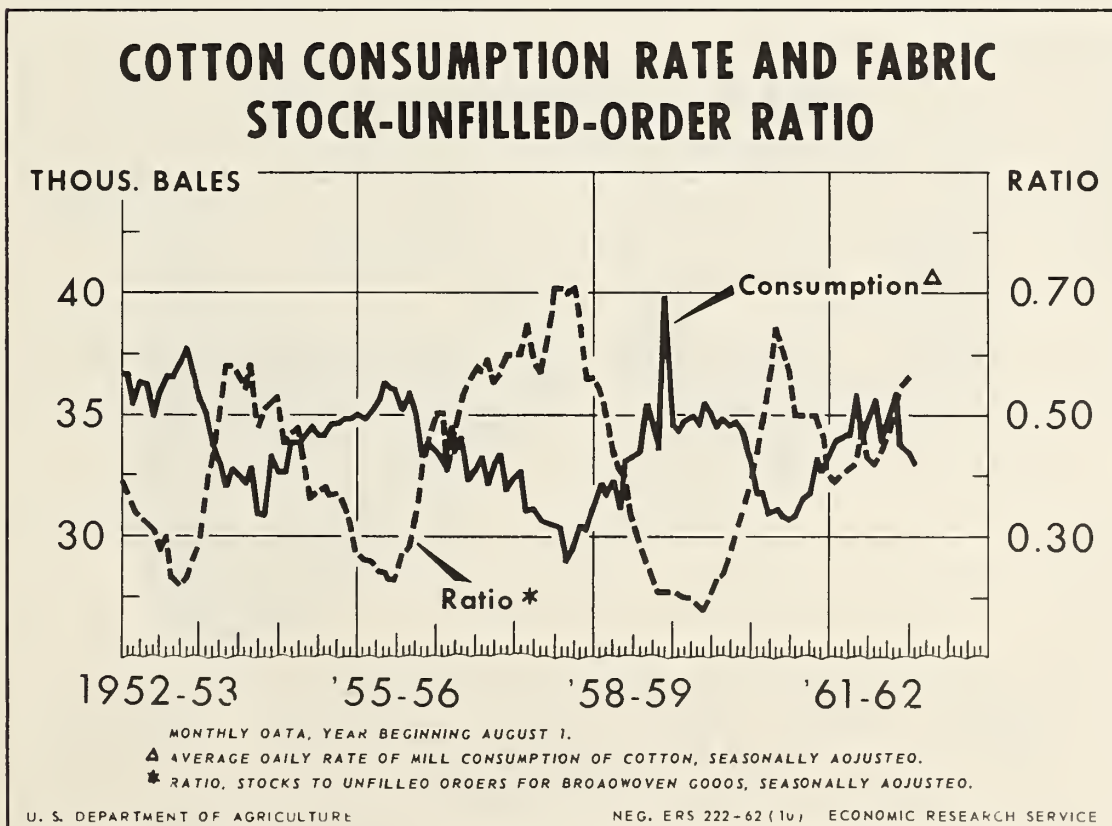


FIG. 4



not be the final national acreage allotted for the 1963 crop because of possible new legislation. The acreage allotment for the 1962 crop of extra-long staple cotton has been set at 149,880 acres, up sharply from the 100,293 acres allotted for the 1962 crop.

USDA's recommendation for an import fee on the raw cotton content of textile imports was rejected on September 6. This fee was to offset the difference between the cost of raw cotton to foreign and domestic mills. On the same day, USDA was directed by the President to formulate a new domestic program for cotton that would eliminate the "inequity created by the present two-price cotton system." In accordance with this Presidential directive, USDA has been studying alternative programs for cotton. On October 8 and 9, USDA officials met with the Advisory Committee on Cotton to discuss cotton programs. The Committee recommended that a combined "trade incentive" and producer-choice program be considered for 1963 and subsequent crops. The program as recommended would involve the issuance of payment-in-kind certificates to the last handler of cotton and would permit producers to plant over their basic acreage allotment. They would receive approximately the world price for cotton produced on the additional acreage.

Consumption of cotton by mills in the United States during the 1962-63 season is expected to total near 8.6 million bales, about 400,000 bales less than last season. Smaller consumption in 1962-63 is indicated by recent declines in the rate of cotton consumption and increases in the ratio of mill stocks to unfilled orders for cotton cloth. (See figure 4.)

The seasonally adjusted daily rate of consumption in September was 33,030 bales--the lowest rate since July 1961. During the current cycle, consumption trended upward from early calendar 1961 through mid-1962. Since June 1962, consumption has fallen each month. (See figure 5.) The adjusted stock-unfilled order ratio, which usually indicates changes in the opposite direction of the rate of cotton consumption, in August was 0.56--the highest since February 1961. Consumption for the current season could fall below 8.6 million bales if the level of general economic activity declines.

Imports of cotton textiles, on a raw-cotton-equivalent basis, have been running at record levels during calendar 1962. For the first 9 months of 1962, imports totaled a record 501,500 bales compared with 282,000 during the comparable period in 1961 and the previous record of 418,800 for 1960. Exports of textiles totaled slightly lower for the first 9 months of 1962 than a year earlier--351,100 bales compared with 372,000 bales. If imports and exports continue at the same rate as for the first 9 months of 1962, total imports for the year would exceed total exports by about 200,000 bales. Monthly imports have exceeded exports for each month thus far in 1962. (See figure 6.)

Per capita mill consumption for calendar 1962 may show a small increase. Estimated consumption of 22.8 pounds would be 2.7 percent higher than a year earlier. A sharper rise--11.2 percent--is expected in manmade fiber consumption. Per capita manmade consumption of 12.5 pounds would be a record high.

# RATE OF MILL CONSUMPTION OF COTTON

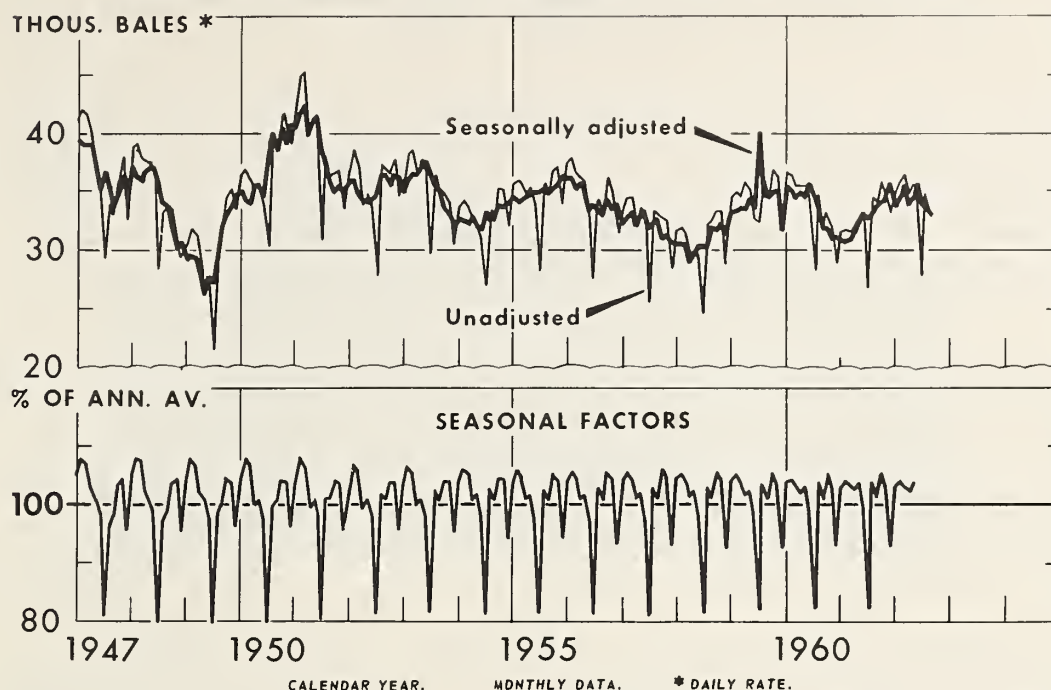


FIG. 5

# U. S. FOREIGN TRADE

## Cotton Equivalent of Cotton Manufactures

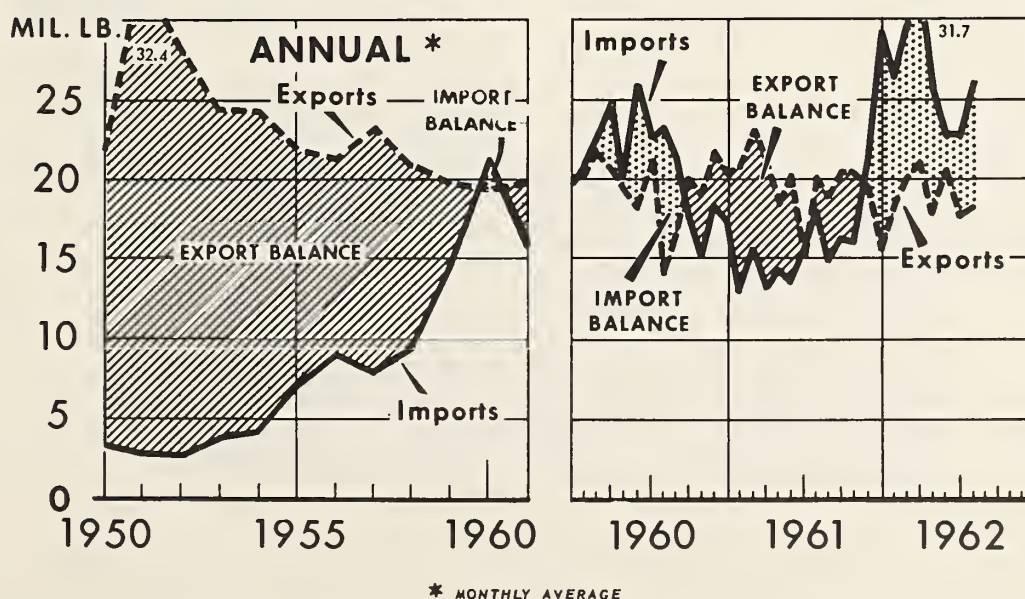


FIG. 6



No change is expected in per capita consumption of wool. Total fiber consumption--cotton, manmade, and wool--may increase about 5.3 percent. (See figure 7.)

Per capita domestic fiber consumption (mill consumption adjusted for raw-fiber equivalent of U.S. imports and exports of textiles) is expected to show a sharper rise than mill consumption for 1962 because of large textile imports. Per capita domestic cotton consumption for 1962 is estimated at 23.3 pounds, 5.4 percent higher than in 1961. Manmade fiber consumption may show a 13.2 percent rise, while wool consumption is expected to be 3.4 percent higher. The increase for total fibers in 1962 may be around 7.6 percent. (See figure 8.)

Cotton exports during the 1962-63 season are expected to total near 5.0 million bales. Although this is slightly larger than the 4.9 million bales exported a year earlier, it is below the average of 5.4 million bales for the past 5 years. Smaller than average exports are indicated during the current season by a smaller volume of registrations under the payment-in-kind program and an expected record-high production of cotton in the foreign free world. Factors which are helping to maintain exports near 5 million bales include an expected high level of consumption in the foreign free world, the possibility of a small increase in stocks of cotton in importing countries, expected relatively large Government financing under special programs, and some recent improvements in the competitive position of U.S. growths of cotton in world markets.

Foreign free world production of cotton during the 1962-63 crop year may set a record of 20.6 million bales. This is 1.5 million bales larger than the previous record in 1961-62. This new production high reflects both increased yields and harvested acreage. The largest prospective production increases are in Egypt, India, Brazil, Syria, Uganda, and several Central American countries.

Consumption of cotton in the foreign free world may be near or exceed last season's record of 23.5 million bales. Consumption prospects for the current season appear favorable in India, Canada, Italy, and several other importing countries. Also, consumption in foreign exporting countries is expected to continue the uptrend of recent years. Consumption in Japan, down since early 1962, may continue to decline in the next few months. (See figure 9.) However, chances appear favorable for an increase later in the season.

Stocks of cotton in the foreign free world were reduced to 9.2 million bales on August 1, 1962--the lowest level since 1956. Stocks of 5.5 million bales in foreign free world importing countries were 1.1 million bales below a year earlier.

Spot market prices for cotton have been relatively steady in recent weeks after trending downward for several months. The weekly average spot market price for Middling 1-inch cotton was 32.99 cents per pound for the



## MILL CONSUMPTION OF FIBERS, PER CAPITA

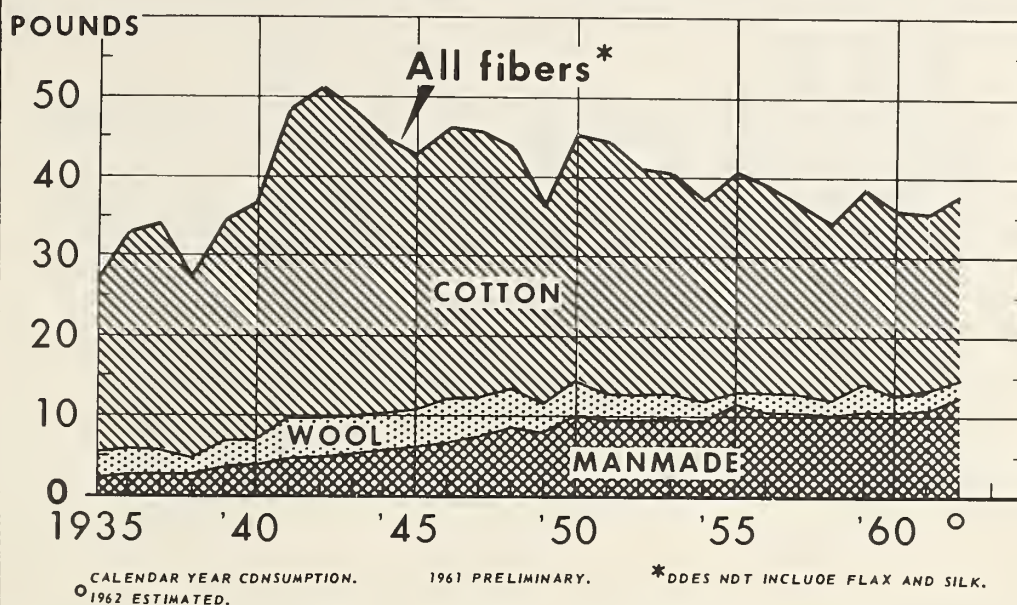


FIG. 7

## DOMESTIC CONSUMPTION\* OF FIBERS, PER CAPITA

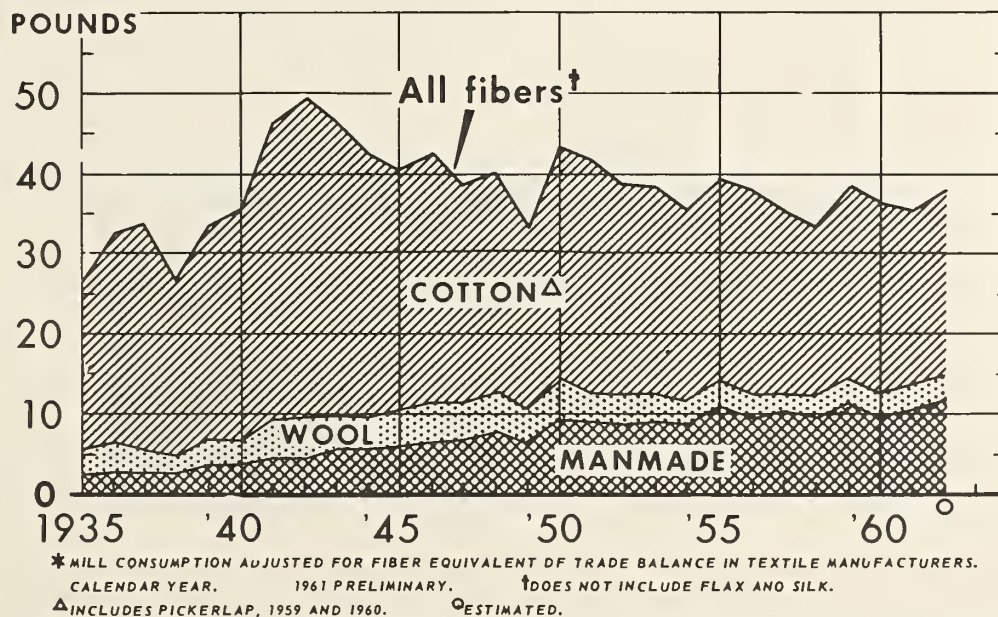


FIG. 8

week ending November 2. The average price for the month of October was 33.01 cents per pound compared with 33.02 cents in September and 33.36 cents in August. The average spot market price for the 1961-62 season was 33.67 cents per pound, up 2.71 cents from a year earlier.

The average price received by farmers for upland cotton in October was 32.59 cents per pound, down from 33.18 cents in September and 33.86 cents in October 1961. Prices received by farmers for cotton during the 1961-62 season were the highest since 1958-59. (See figure 10.) The higher prices for the 1961 crop than for the 1960 crop reflected a higher support price and a change in the price support program. For the 1962 crop, the minimum national average support price is the same as it was for the 1961 crop-- 31.88 cents per pound.

## COTTON: FOREIGN FREE WORLD, CONSUMPTION AND PRODUCTION

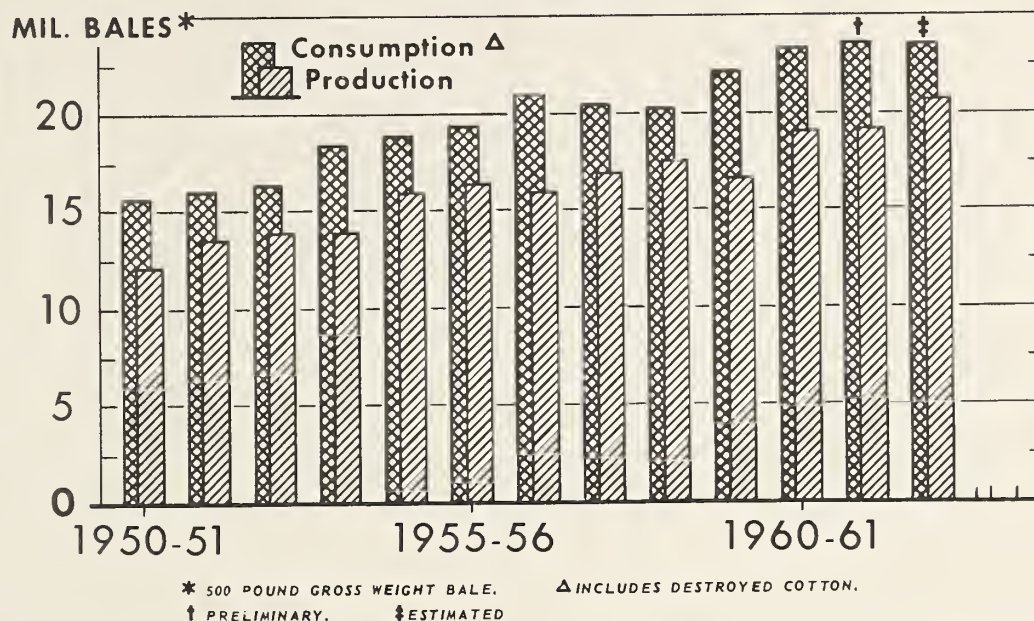


FIG. 9

U. S. DEPARTMENT OF AGRICULTURE

NEG. ERS 1527-62 (10) ECONOMIC RESEARCH SERVICE

## U. S. Farm Prices for Cotton

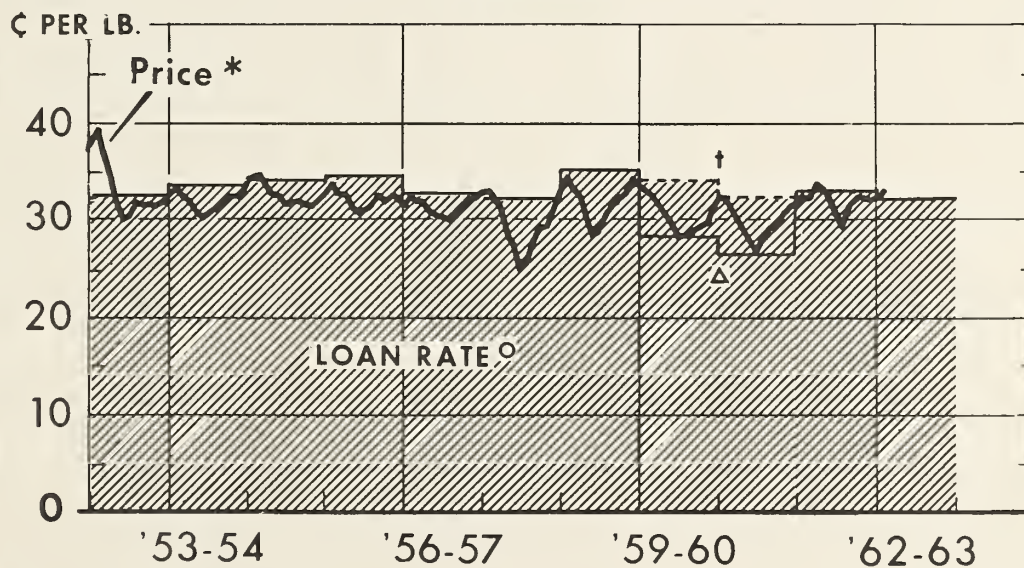


FIG. 10

BY MONTHS, YEAR BEGINNING AUG. 1.

\* AV. PRICE RECEIVED BY FARMERS.

† PURCHASE RATE-CHOICE A.

 $\Delta$  LOAN RATE-CHOICE B. $\circ$  BASIS, MIDDLING 1-INCH STAPLE, AV. LOCATION.

U. S. DEPARTMENT OF AGRICULTURE

NEG. ERS 427A-62 (10) ECONOMIC RESEARCH SERVICE











UNITED STATES DEPARTMENT OF AGRICULTURE  
Economic Research Service

OUTLOOK FOR DAIRY PRODUCTS IN 1963

Statement by A. G. Mathis  
Economic and Statistical Analysis Division  
at the 40th Annual Agricultural Outlook Conference  
Washington, D. C., 9:15 A. M., Thursday, November 15, 1962

In many respects the dairy outlook for 1963 is similar to that for 1962. Milk production in 1962 increased over last year, and consumption ran far below supplies. Therefore price support purchases were very large. This situation is expected to be repeated in 1963.

The dairy outlook for the coming year is based on continuation of the present dairy support program, with supports at 75 percent of parity. However, at Outlook time this year, as last year, proposals for new dairy legislation are expected to be made to Congress in the coming year.

Milk production, marketings, consumption, prices, and farmers' returns from dairying in 1963 and coming years will depend greatly on the kind of dairy program that arises from these proposals.

International tension is greater than a year ago, and developments could change the dairy outlook considerably.

Milk production in 1963 is expected to register another gain, likely about 1 billion pounds over 1962. The longtime downtrend in milk cow numbers, which slowed in 1960 and 1961, continued at a slow pace in 1962. Decreases in cow numbers were small this year, although price supports dropped in April, and spring and summer pasture conditions were poor in much of the country. The number of milk cows should be large enough in 1963 to attain another record milk production, if average production gains per cow are around 150 pounds -- much less than the 200-pound plus average of the past 7 years.

In 1963, marketings of milk and cream from farms are likely to exceed 120 billion pounds for the first time. They will increase again more than production, probably above a half-billion pounds more as the number of people on farms with milk cows continues to fall.

The 1963 dairy outlook differs from that of 1962 in one very important respect. The consumption picture is somewhat improved. In 1962 a gain in aggregate consumption of milk and dairy products is occurring, compared with 1961, and the prospect is for a further increase in 1963. Major reasons for this expected gain in 1963 are: (1) Civilian population may gain sufficiently next year to more than offset a declining use of milk per person from commercial sources; and (2) donations from CCC stocks for domestic distribution are expected to continue at levels at least as high as this year.

Per capita consumption of milk in all forms in 1962 is expected to remain about the same as in 1961 -- 640 pounds per person. This

would be the first year since 1955 that consumption per person has not declined. In 1963, however, it is expected that the downward trend will be resumed, in spite of the moderate gain expected in aggregate consumption of milk and dairy products.

Consumption of milk from all sources in 1962 is going to exceed 1961 levels by about 1.5 billion pounds milk equivalent, reaching 117 billion pounds, a new record for civilian milk consumption. The major reason for this increase in consumption is the 2 billion pounds of milk equivalent increase over last year in donations of Government-owned dairy products for domestic distribution in welfare and National School Lunch programs. Indications are that sales of fluid milk products are increasing about 1.6 percent, but this increase is only about offsetting the decline in farm use.

In 1962, butter consumption is being maintained at the 1961 level; cheese consumption is increasing by about 7 percent in spite of a decline in consumption from the commercial market. Nonfat dry milk consumption from commercial sources is declining substantially, though distribution of Government-owned stocks of nonfat dry milk is growing by an estimated 24 percent. Most other changes in consumption of dairy products are following longtime trends, with both total and per capita consumption of evaporated milk down, total consumption of ice cream and whole dry milk up slightly.

This year total use of milk solids-not-fat is holding about level with 1961, while production is increasing substantially. This is the first year since 1949 that total consumption of solids-not-fat has not increased appreciably. In 1960 the gap between production and consumption of solids-not-fat was 2.8 billion pounds. In 1961 the gap widened to 3.0 billion pounds and this year it is growing by another 90 million pounds. In 1963 the difference may be lessened if the commercial use of nonfat dry milk recovers the ground lost last year and this. Next year, per capita use of milk solids-not-fat may continue the 1956-62 downward trend.

Milkfat consumption for 1962 likely will show a gain, the first since 1958, due chiefly to the heavy donations of Government-owned products high in fat -- butter and cheese. However, the gain will not be enough to significantly change the difference between production and consumption which widened to 377 million pounds in 1961 from 267 million pounds in 1960. And the gap is expected to be wider in 1963, when milkfat consumption may hold near this year's level.

The gap between production and consumption in 1962, plus a substantially lower rate of buildup for commercial stocks of dairy products than 1961, is causing CCC purchases of dairy products to climb above 11 billion pounds of milk equivalent. They are expected to reach around 435 million pounds of butter, 215 million pounds of cheese, and 1,375 million pounds of nonfat dry milk. In terms of milk solids, CCC purchases of milkfat are going to be nearly 9 percent of production and those of milk solids-not-fat, nearly 13 percent.

In 1963, farm marketings of milk are likely to increase about 1.5 billion pounds. But the gain in consumption of dairy products from commercial sources is expected to be much less. Therefore, CCC purchases in 1963 may be larger than this year.

The increases in CCC acquisitions of butter and nonfat dry milk so far in 1962 were much greater than the increases in utilization through domestic and foreign disposition programs. As a result, uncommitted CCC stocks of butter at the end of October reached 347 million pounds and those of nonfat dry milk 583 million pounds. They will continue near these levels through 1962 and may increase next year.

In 1962, cash receipts from the farm sale of dairy products are running at a rate about 1 percent lower than the \$4,911 million in 1961. This drop is caused by lower prices this year, which more than offset the gain of about 1.8 billion pounds in marketings. Because prices farmers pay are increasing about 1.2 percent over a year ago, net income from farm marketings of milk and cream in 1962 is declining more than gross cash receipts. In 1963, both gross and net income from farm marketings of milk and cream are likely to be lower than in 1962.

The heavy surplus of milk in the first quarter of 1962 caused prices of manufacturing milk to average \$3.38 per hundred pounds, close to the \$3.40 support level, but manufacturing milk prices from April to October averaged \$3.20, somewhat above the support level, \$3.11 per hundred pounds. For 1962 as a whole they will be about \$3.24, but may average slightly lower in 1963.

The price of all wholesale milk for January-October was \$4.06 per hundred pounds compared with \$4.18 last year, a difference of 12 cents per hundred pounds. Continuance of this 12-cent difference would give an average price for 1962 of \$4.10 per hundred pounds. Prices paid by dealers for milk used for fluid distribution have been less responsive to changes in support level than manufacturing grade milk. These prices averaged only 5 cents per hundred pounds lower for January to October 1962 than the same period of 1961. However, for 1962 as a whole they are expected to be the lowest since 1956. This year's decline in farm prices from 1961 levels was lessened by drought in the Eastern part of the United States. The poor weather checked production increases and held the percentage of milk used for fluid purposes at higher levels than otherwise would have occurred.





Clough

UNITED STATES DEPARTMENT OF AGRICULTURE  
Economic Research Service

OUTLOOK FOR FEED IN 1962-63

Talk by Malcolm Clough  
Economic and Statistical Analysis Division  
at the 40th Annual Agricultural Outlook Conference  
Washington D. C., 1:30 P.M., Wednesday, November 14, 1962

The outlook for feed in 1962-63 is similar in many ways to the situation in 1961-62. Supplies of feed grains and other concentrates are down again, and demand is expected to continue strong. A further reduction in feed grain stocks is in prospect, probably about equal to the 14-million-ton reduction in 1961-62. The provisions of the 1962 Feed Grain Program are practically the same as the 1961 program. Feed prices were a little higher in 1961-62 than a year earlier. They are expected to average at least as high in 1962-63 as for the past year and may strengthen further.

The total supply of feed grains and other concentrates has declined during the past 2 years, following a steady buildup in supplies during much of the preceding decade. The 1962-63 supply of 241 million tons is 19 million tons smaller than the record 1960-61 supply. Smaller supplies are the result of a reduction in feed grain acreage in 1961 and 1962 through farmer participation in the Feed Grain Program. The total acreage of feed grains in 1961 and 1962 was down about 18 percent from the acreage harvested in 1959-60, the base period for the program. The 1962 feed grain crop, estimated in October at 139 million tons, is slightly below the 1961 crop and 11 percent below the record output in 1960.

Total utilization of feed grains also has trended upward in the postwar years, but utilization was below total production each year from 1951 to 1960, resulting in a continuous accumulation of feed grain stocks. In 1961-62, total consumption reached a record high of 155 million tons, 9 million more than in the preceding year, exceeding production for the first time in 10 years. Total concentrates fed to livestock in 1961-62 rose 5 percent, even though feed grain prices were 3 percent higher and high-protein feed prices 6 percent higher than in 1961-62. With increasing livestock numbers in prospect in 1962-63, domestic consumption is expected to continue heavy, probably exceeding the high level reached this past year.

The total carryover of feed grains rose steadily from 1952 to 1961, reaching a record high of nearly 85 million tons. Smaller production and heavier consumption in 1961-62 resulted in the carryover falling 14 million tons. A similar reduction now seems probable in 1962-63, bringing the total carryover into 1963-64 down to about 57 million tons.

The total corn supply for 1962-63 was estimated in October at 5,126 million bushels, about 500 million bushels below the 1961-62 supply. The 1962 crop of corn was estimated in October at a little over 3.5 billion bushels, 3 percent less than last year. The carryover of corn was reduced nearly 400 million bushels during 1961-62 to a little over 1.6 billion bushels. The smaller supplies of corn in the past 2 years have resulted from smaller acreages harvested, as farmers participated in the Feed Grain Program. Even though yield per acre has trended upward, the 1962 crop is about 10 percent below the 1959-60 level.

The total disappearance of corn reached a record high of over 4.0 billion bushels in 1961-62 with both domestic use and exports setting new records. The total quantity of corn used domestically is expected to continue at a high level in 1962-63, probably exceeding the record consumption in 1961-62. Exports of corn, however, may fall somewhat below the 434 million exported in 1961-62. Total disappearance of corn may about equal the 4.0 billion bushels in 1961-62. This would be substantially above the 1962 crop and carryover would be reduced to around 1.2 billion bushels by the close of the 1962-63 season.

Sorghum grain supplies also have been reduced during the past 2 years due to a substantial reduction in acreage through the Feed Grain Program. Sorghum grain production in 1961 was a little below 1961-62 domestic use and exports, and stocks of sorghum grains were reduced about 44 million bushels. This reduction followed the sharp increase in stocks for the marketing years 1957-58 through 1960-61 when production was substantially above utilization. The 1962 crop is 2 percent above last year's production but is much smaller than the big crops in 1959 and 1960. Domestic use and exports of sorghum grain are expected to continue high during the coming year, resulting in a further decline in carryover on October 1, 1963.

The oat supply for 1962-63 is estimated at 1,310 million bushels, 3 percent less than in 1961-62, continuing the downward trend which has been underway for several years. Oat supplies have dropped off rather sharply since 1955 due largely to declining acreage. Barley supplies also have declined in recent years. The total supply for 1962-63 is about equal to last year but 6 percent below the 1956-60 average. The 1962 crop is about 10 percent above the 1961 crop with practically all of the increase in the Northern Plains and the Northwest where the growing season is much more favorable than in 1961.

Feed grain prices in 1962-63 may average near the 1961-62 levels. The demand for feed is expected to continue generally strong during the coming year, with livestock production increasing and livestock-feed price ratios continuing generally favorable, particularly for hog and cattle producers. The Feed Grain Program, which played an important role in influencing prices in 1961-62, contains practically the same provisions for 1962 price supports and acreage diversion payments as in 1961. CCC again will have substantial quantities of feed grains to sell domestically against 1962 Feed Grain Program certificates.

Prices received by farmers for corn and sorghum grain in 1962-63 may average near the 1961-62 levels. Last year the prices received by farmers ranged from 94 cents per bushel to \$1.04 and sorghum grains from \$1.61 per cwt. to \$1.74, both somewhat below the 1961 support levels. Prices of sorghum grain, oats and barley were all higher than average in relation to corn in 1961-62. The disparity between the price of corn and prices of oats and barley is not expected to be as great in 1962-63 as it was last year. Prices of oats and barley have declined in recent months with the harvesting of the larger crops of these grains. Prices of both of these grains are expected to continue a little lower in 1962-63 than in 1961-62, probably averaging near the 1962 support prices.

The quantity of high-protein feeds fed to livestock has trended upward since before World War II. The strong demand in 1961-62 resulted in a 4 percent rise in the tonnage consumed by livestock at prices averaging 6 percent higher than in 1960-61. Another moderate increase in the quantity fed is in prospect for 1962-63, with prices probably averaging a little above last year.



The strong domestic and foreign demand boosted soybean meal prices in 1961-62 to an average of \$63.60 per ton in Decatur, the highest level since 1953-54. Demand for soybean meal is expected to continue strong in 1962-63 and prices probably will average a little above the 1961-62 level. In each of the past two feeding years, soybean meal prices have advanced more than seasonally from the low reached in the fall to the high reached in the spring or summer. Prices in 1962-63 may be more stable than during the past 2 years, probably averaging a little higher this fall, and advancing less during the feeding year than in the past 2 years.

Total supplies of hay for 1962-63 are estimated at 135 million tons, slightly below last year but close to the 1956-60 average. Hay supplies are much larger than last year in the Northern Plains area but are well below average in many of the eastern and southern States, where drought curtailed the production of hay and forage crops this year.

The Food and Agricultural Act of 1962 passed by Congress in September 1962 contains provisions for a 1963 Feed Grain Program, similar in many respects to the 1962 program but there also are some important differences. As was the case in the 1962 program, producers of corn, sorghum grains, and barley may participate in the program by reducing their 1963 acreages of these crops by at least 20 percent below the 1959-60 base acreage.

The important changes in the program are: (1) A provision for making a payment to producers, in the case of corn 18 cents per bushel, plus a corn loan of \$1.02 per bushel, instead of the price support loan of \$1.20 per bushel as in the past 2 years, with comparable supports for sorghum grain and barley; (2) the acreage diversion payment will be based on up to 50 percent of the 1959-60 production on the land diverted from the farmer's base acreage, valued at the county support rate. The provision for the 60-percent payment rate for land diverted from 20 to 40 percent of the base was excluded from the 1963 program; (3) farmers are required to divert the entire acreage signed up for diversion to be in compliance.

Exports of feed grains in the 1961-62 marketing year reached a record high of 17.4 million tons, about 5 million tons above the 1960-61 level. About two-thirds of this total was exported through regular commercial channels without government assistance, under PL 480 or the Export Payment-in-Kind Program. Exports are expected to continue large in 1962-63, probably exceeding those in any year prior to 1961-62. But they may be around 3 million tons below the record movement last year as a result of larger barley production in Europe and the influence of Common Market arrangements, which became effective July 30. Under the Common Market higher levies are effective on grains imported from the United States and other countries outside the Community. The Common Market countries--West Germany, France, Italy, Belgium, Luxembourg, and Netherlands--have been important buyers of United States feed grains in recent years. Exports to these countries in 1961-62 totaled about 4.5 million tons or a little over a fourth of the total feed grain exports.

Before closing, I would like to review briefly some of the recent trends in the feed situation that have had an important influence on supplies, utilization, and prices. The most prominent of these has been the sharp upward trend in yield. Following a longer-term moderate rise, the average yield of feed grains per acre has taken a much sharper upward course in recent years, averaging about 5 percent per year since 1954.

From 1951 through 1960, increasing yield per acre was accompanied by a comparable increase in total feed grain production. While there were changes in the acreages of the individual grains during this period, there was practically no trend in the total acreage of feed grains harvested. The 1961 and 1962 Government Feed Grain program resulted in a decline of about 18 percent in feed grain acreage from the 1959 and 1960 levels. This more than offset the upward trend in yield resulting in a drop in feed grain production of about 10 percent from 1960 to 1961 and 1962.

The total utilization of feed grains also has trended upward in the post-war years. The marked increase in the rate of feeding per animal unit accounted for much of the increase in feed consumption. Following a rather gradual long-term upward trend, the quantity of feed grains and other concentrates fed per animal unit increased sharply from 1956 to 1961. In 1961-62, the feeding rate for total feed concentrates was about a fourth higher than in 1951-52, and the rate of feeding high-protein feeds was about a third higher. Heavier feeding has been accompanied by an upward trend in the production of livestock products per animal.

A number of factors have contributed to the increase in the rate of feeding per animal unit. One of these has been a decline in the price of feed in relation to other items going into livestock production. The decline in feed prices from 1952 to 1958 brought prices paid by farmers for all feed purchased down about 15 to 20 percent below the 1951 level during the period 1958-61. During this same period, prices paid for other items going into livestock production were increasing, making feed the low-cost item in livestock production. Farm machinery and wages have gone up about a third since 1951. Building and fencing costs have gone up more than 15 percent.

The upward trend in the output of livestock products per animal also has been a factor contributing to this higher rate of feeding per animal unit. Milk production per cow, for example, has gone up nearly 40 percent since 1951. The quantity of feed grains and other concentrates fed per cow has gone up at an even faster pace.

The termination of the downward trend in the number of horses and mules on farms may have also been a factor in the upward trend in feed consumption in recent years. The decline in horses and mules on farms had about run its course by 1955 when the number stabilized at around 3 million head. The quantity of feed grains fed to horses and mules declined from about 25 million tons in the early 1920's to below 3 million tons by 1955. Since 1955, all of the increase in feed grain requirements for expanding hog, cattle and poultry numbers has come from annual feed grain production. None has been made available through a diversion from horse and mule requirements.

While feed grain production has been expanding since World War II, sales of feed grains have gone up at an even faster rate. In 1940, farmers sold about 23 percent of the feed grains they produced. In 1960, sales of feed grains had increased to about 48 percent of the total production. Farmers are buying much more of their feed for livestock production now than they did 20 years ago and much more of the feed is being processed and mixed commercially.



UNITED STATES DEPARTMENT OF AGRICULTURE  
Economic Research Service

OUTLOOK FOR FOOD SUPPLIES AND PRICES

Talk by Thomas J. Lanahan, Jr.  
Economic and Statistical Analysis Division  
at the 40th Annual Agricultural Outlook Conference  
Washington, D. C., 3:15 P.M., Wednesday, November 14, 1962

Our food supplies continue to be more than adequate to meet domestic needs. In addition, for most food groups, there will be enough food remaining after domestic use to export near-record quantities of our food to other lands and to have substantial reserves on hand at home.

Of course, for some foods, such as most livestock products, we consume most of our current production, but for others we have large reserves on hand. For example, in 1962 we probably will consume only 53 percent of our supply of food fats and oils, 54 percent of our potatoes, 58 percent of our canned fruits and vegetables, and only 6 percent of our total grain supply. Some of the remaining supplies go into nonfood uses, exports and Government holdings, but much is also the normal carryover from year to year. If need be, most of this could be used domestically for food.

Our abundant food supply makes it possible for us to be well fed -- whether considered on the basis of personal likes and dislikes or from a nutritional standpoint. Per capita consumption of food as a whole this year -- the various foods weighted together with constant prices -- will probably average a little higher than last year. The caloric value (food energy) of the food consumed per capita in 1962 has changed little from last year and in 1963 probably will average about the same.

Consumers continue to spend more in total for food, but they use a smaller proportion of their income for such outlays. According to latest indications, they spend on the average about 19 percent of income for food compared with 26 percent in 1947-49.

Of course, much of the increase in spending for food per capita is for higher quality, more emphasis on higher cost items, and more services with our foods either in processing or distributing the food. Phil Dwoskin, who is next on the program, will go into more details on food marketing and new food products.

This year consumer spending for food probably will increase some  $3\frac{1}{2}$  to 4 percent over last year. This increase will be accompanied by a gain of around 5 percent in disposable income and an increase in average retail food prices of almost one percent.

As I indicated, food consumption per capita this year should average a little above 1961 and, in addition, there probably will be a further small increase in per capita use of marketing and processing services. These gains



in per capita use, together with the almost 1 percent higher retail food prices and a population increase of about 1.6 percent, account for the rise in consumer expenditures for food.

Consumers will probably increase their outlays for food again in 1963, but not by as much as this year. Levels of economic activity in prospect for 1963 point to a modest gain in consumer income and in the demand for food. Per capita consumption of food as a whole and livestock products in particular, will likely again register very small gains in 1963.

Retail prices of food in the fourth quarter of 1962 probably will average slightly lower than in the third quarter because of seasonally larger supplies, particularly of meat, poultry, fruits and potatoes. For the year as a whole, retail food prices will probably increase over last year somewhat under 1 percent, slightly less than for other goods and services. Barring a major worsening of international tensions, there is likely to be little overall change in retail food prices in 1963 from this year. Retail prices of live-stock products may average slightly lower and prices of foods from crops fractionally higher. Prices of food consumed away from home, including all the services that go with purchased meals, probably will continue their long-term upward trend, while retail store prices of foods, aside from the usual seasonal variations, are likely to change little.

The supply of meat per capita for the fourth quarter of 1962 is increasing and is expected to total a little larger than in the fourth quarter of 1961. This gain will include larger supplies of beef, pork, and veal. Next year, another increase of about a pound is in prospect, with larger beef and pork supplies only partially offset by smaller supplies of veal and lamb.

Retail prices of meat in 1963 may average close to this year. Lower retail prices for pork will be about offset by higher prices for lamb and possibly slightly higher beef prices. Consumption of meat is expected to be well maintained throughout 1963, but broiler supplies will likely be larger and offer red meat more price competition next year, especially in the first half of the year.

Beef supplies for the fall quarter of this year probably will be nearly a pound above consumption per capita in the summer quarter and the fall. The outlook for beef next year is for a rise of about 1 pound per capita over that for 1962.

Retail prices of beef are expected to decline from their September peak during the remainder of this year. The reduction in prices would affect all cuts of beef, reflecting a larger slaughter of both fed cattle and cows.

In 1963, some increase is expected both in the marketing margin and in the demand for beef. Therefore, despite slightly higher per capita supplies of beef, the average retail price for beef may average the same to slightly above 1962.

A seasonal increase in veal supplies is anticipated in the fourth quarter of 1962, but per capita supplies are likely to be close to a year ago. Veal per capita consumption in 1963 is expected to decline some from this year's rate, and retail prices are expected to change little from 1962 levels.

Supplies of pork are increasing seasonally from their summer low. But per capita consumption in the final quarter of 1962 probably will be somewhat below a year earlier.

Retail prices of pork rose rather sharply through the summer and were higher this summer than last. While they are declining seasonally through the fourth quarter, they are expected to stay a little above the same months of 1961.

Per capita pork consumption this year probably will reach 63 pounds, about  $3/4$  of a pound above 1961. Prospective pig crops this fall and next spring indicate that supplies available will result in even larger pork consumption in 1963. Larger supplies probably will lead to retail prices a little below 1962 levels. The seasonal high in prices will still come in the summer, and prices should continue rather stable throughout the entire year.

Per capita lamb consumption for this fall is estimated to be a little under a year earlier and this past summer. This reduction reflects the 4 percent smaller lamb crop this year. Retail prices of lamb will likely change little from current levels through the end of the year, but continue above year-earlier levels.

Lamb consumption per capita in 1963 is expected to be down -- possibly a half pound from the 5.0 pounds in 1962. Consumption in the winter next year may be as much as 20 percent lower than the unusually high consumption of a year earlier. For 1963 as a whole, retail prices may average somewhat higher than this year, if supplies are reduced as anticipated.

Supplies of poultry meat for the last quarter of 1962 are likely to be about as large as the record quantities a year ago. A large increase in broiler production in November and December will more than offset smaller holiday supplies of turkey.

Total supplies of chicken for 1962 are running below a year ago, and per capita consumption is estimated at slightly below the record-high 1961 rate.

Indicated large slaughter of broilers in the closing months of 1962 probably will cause retail prices to decline below both the current and year-ago levels by the end of the year. Significantly larger broiler output and lower retail prices are now indicated for 1963, at least through the first half, maybe bringing about a record-high level of per capita use.



Per capita use of turkey in 1962 is expected to total slightly under last year's record consumption. Turkey supplies in the last quarter of this year are likely to be 8 percent below a year earlier. Therefore, retail prices in coming holiday seasons are likely to average moderately higher than in the same period of 1961.

Stocks of frozen turkey at the start of 1963 will be down sharply from the very large year-earlier levels. Consequently, in the first half of 1963, turkey prices probably will be higher than in the same period of 1962. For 1963 as a whole, another large turkey crop is in prospect, probably second in size only to the record 1961 output. Of course, much of this goes into storage, and around two-thirds of annual production is consumed in the last 4 months of the year.

Though egg supplies are increasing seasonally in the fourth quarter of 1962, per capita supplies will be below the year-earlier level. Per capita egg consumption in 1962 is now estimated at 324 eggs, about the same as a year earlier for the first time in a decade. But, retail egg prices will average lower this year than last. The downtrend in egg consumption since 1951, despite generally lower prices and rising incomes, reflects the steadily diminishing consumer demand for eggs.

Lower egg production is likely to continue through the early part of 1963. Retail egg prices the first quarter of 1963, although likely to be dropping seasonally, may average higher than in the same period of 1962. But as 1963 progresses, egg production may increase faster than a year earlier, possibly dampening the usual late spring-to-fall retail price rise and resulting in lower prices in the second half of 1963.

Milk supplies are down seasonally, but are running above a year earlier. It appears that for 1962 per capita consumption of all forms of milk combined will average about the same as the year earlier -- after 6 straight years of declines. This is due to increased use of dairy products per capita in Government distribution programs and a slowdown in the sharp drop in per capita consumption of fresh fluid milk since 1957. But average per capita consumption of all dairy products combined from commercial sources -- that is, excluding use in distribution programs -- probably will decrease again in 1962. Next year, the per capita consumption of all dairy products combined from all sources likely will resume the 1956-61 downtrend.

Cheese consumption per capita might be up again in 1963 because of the Government distribution programs, but per capita use of evaporated milk, cream, and fresh fluid milk are expected to decrease. Use of nonfat dry milk, ice cream, and butter will be close to the 1962 consumption rates.

Retail prices of fluid milk are expected to show a smaller-than-average seasonal rise in the remainder of 1962, because of heavier-than-usual fall supplies. In the first quarter of 1963, these prices may be lower than in the same period of 1962, but for the balance of 1963 they may average about the same.



Supplies of food fats and oils this fall are at record levels. As the seasonal increase gets underway, more than adequate quantities of all edible vegetable oils and animal fats are available. Retail prices of food fat products this fall are expected to average about 2 percent below a year earlier. Per capita domestic consumption of food fats and oils continues steady, leaving record amounts available for export. Next year, domestic per capita consumption is likely to continue near the long-term rate.

The downtrend in per capita butter consumption appears to have slowed this year as increased amounts are being distributed through the welfare and school lunch programs. This probably is part of the explanation of why margarine consumption per capita declined for the first time in 7 years. Consumption of cooking fats per capita in 1962 is up only slightly, and is not expected to change much next year. Consumption per capita of cooking and salad oils increased sharply this year and is likely to at least maintain the same rate next year.

Retail prices of food fat products decreased during the summer but are expected to average near current levels during most of 1963.

Supplies of fresh and processed fruit during the remainder of fall and in the first half of 1963 probably will be a little larger than in the same period of 1961-62. Prospects are for supplies of fresh citrus fruit from now until next summer to be somewhat larger than a year earlier.

Compared with a year earlier, retail prices for fresh fruit through this fall and winter probably will average a little higher for apples and lemons, lower for oranges, and about the same for most other fruits. Among processed items, prices are likely to be somewhat higher for dried fruits, moderately lower for canned and frozen citrus juices, and not greatly changed for most canned and frozen deciduous fruits.

Supplies of fresh vegetables are declining seasonally and are materially smaller than a year earlier. Substantially larger supplies of canned vegetables than a year earlier probably will be available into mid-1963 as a result of a larger carryover stock and a larger pack. Barring a sharp upsurge in demand, because of the international situation, these heavier supplies for the next 6 months are likely to mean slightly lower retail prices than a year earlier. Supplies of frozen vegetables are likely to be a little smaller than a year ago through next spring. Supplies of potatoes for fall and winter marketing are about 6 percent smaller than those of a year earlier, but still moderately larger than anticipated needs. With the supplies large, retail prices of potatoes into spring are expected to continue near October levels, but above the low levels of a year earlier.

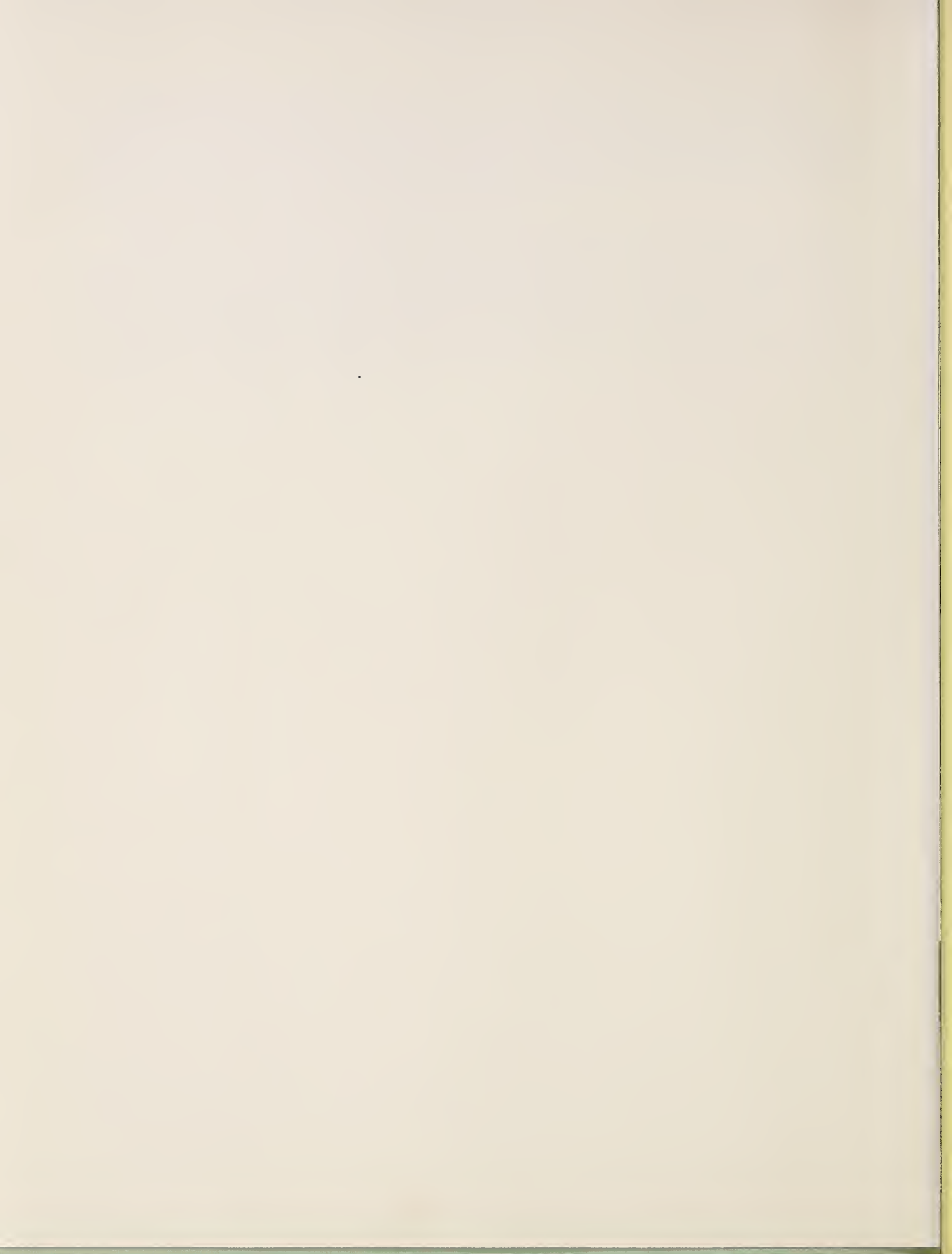
Consumption of cereal food products per capita in 1962 and 1963 should average about the same as in recent years. Retail prices of cereal and bakery products in 1962 have continued their long-term upward trend, although increasing at a somewhat faster rate than in 1961. This general trend is likely to continue as a result of increases in unit marketing costs and in use of marketing services.

Further details on the general food consumption picture and on the outlook for food supplies and retail prices can be found in the outlook issues of the National Food Situation, the Marketing and Transportation Situation, and the various commodity situation reports. Of course, all this gives the national picture. There are considerable deviations from these national averages in the various parts of the country.

This is where your job comes in -- interpreting this national picture to the people in the States in the light of local variations in supplies, prices, marketing services, tastes, and preferences. But it appears likely that such regional and urbanization differences have diminished in the post-war years, mainly because of the efforts of extension workers, other educators, advances in marketing, and the general economic well being of the country.







UNITED STATES DEPARTMENT OF AGRICULTURE  
Economic Research Service  
Washington, D. C.

THE OUTLOOK FOR FRUITS AND TREE NUTS IN 1963

Talk by Ben H. Pubols  
Economic and Statistical Analysis Division  
at the 40th Annual Agricultural Outlook Conference  
Washington, D. C., 9:15 a.m., Friday, November 16, 1962

General Supply and Demand Prospects

From now until mid-1963, total supplies of fresh and processed fruits probably will be slightly to moderately larger than in the same period of 1961-62. Increases are likely to be heaviest in fresh and processed oranges. Supplies of canned deciduous fruits are expected to continue large, but those of dried fruits and tree nuts are expected to be down. Consumer demand for fresh and processed fruits is expected to be as good as this year and even may be better. This demand prospect is created by a larger number of consumers, arising from the upward trend in population, and continued high consumer incomes.

Export Outlook

Export prospects for fruit in the 1962-63 marketing season are a little less favorable than in 1961-62. For citrus fruits, the volume of exports of fresh oranges may be about the same as last season and for fresh lemons down somewhat. But for orange juice it should be up moderately to substantially, because of large U. S. supplies. For deciduous fruits, the volume of fresh apples probably will be somewhat below the unusually large quantity in 1961-62, because of increased production of apples in Western Europe and expected lighter movement to Canada. Prospects are for a slight increase in exports of dried prunes, but for a sharp drop in raisins because of smaller U. S. raisin output and higher prices. Exports of canned deciduous fruits should be up moderately to substantially due to increased U. S. supplies of peaches and fruit cocktail.

Citrus Fruit

Total production of citrus fruits is expected to trend upward over the next few years despite the setback in Texas caused by last winter's freeze. The increases will consist mostly of oranges in Florida and lemons in Arizona, the result of new plantings and increased bearing surface of older trees. Production of grapefruit in Florida also can be expected to increase somewhat. In Texas, production of citrus will increase again with recovery of freeze-damaged trees and as new plantings start to bear. Weather, as always, will be an important factor influencing year-to-year changes in production.

If early season prospects for the 1962-63 citrus crop materialize, it will be somewhat larger than the above-average 1961-62 crop. Prospective production of early, midseason, and Navel oranges is about a tenth larger than in 1961-62, because of large increases in both Florida and California, where growing conditions have been more favorable than last season. For 1962-63 crop Valencias, production in Florida is expected to be about the same as last season; and in California, the October 1 condition of the new crop, for which the first estimate will be made in December, was reported to be somewhat better than a year earlier. In Florida, the 1962-63 production of tangerines is expected to be larger; that of tangelos, smaller than in 1961-62.

Production of grapefruit in 1962-63 (excluding the usual small summer crop in California) is expected to be a little below the average-sized 1961-62 crop. A moderate increase in Florida will be more than offset by decreases in other States, especially Texas. In Florida most of the increase in 1962-63 is in seeded varieties, though there are small gains in both white and pink seedless. Production prospects for lemons in both California and Arizona are less favorable than a year ago, when the crop was above average.

By late October, market movement of 1962-63 crop Florida grapefruit had become seasonally heavy while that of oranges was still increasing. Because of negligible production in Texas this season, fresh citrus from Florida can be expected to cover a wider market area than in 1961-62, and therefore may increase somewhat in fresh market use over last season. Some of the reduction in fresh market oranges from Texas also may be made up from the prospective larger California crop. For Florida citrus, processing again will be the major outlet for oranges and it still will be an important one for grapefruit.

By late October, the usual downward adjustment of prices with increasing market movement probably was well along for Florida grapefruit but less complete for Florida oranges. Shipping-point prices were not greatly different from a year earlier. Mainly because the orange crop is larger and carryover stocks of frozen orange concentrate and canned juice are heavier than a year ago, market prospects for the new orange crop do not appear as favorable as they were last fall and winter. Market prospects for grapefruit seem better than for oranges, but probably not quite as favorable as for the 1961-62 grapefruit crop.

The 1961-62 Florida pack of frozen orange concentrate was a record 116 million gallons, 38 percent above the previous record in 1960-61. Although the pack of canned single-strength orange juice was up 27 percent, it was the third smallest since 1943. Despite substantial increases in movement from packers to the trade, carryover stocks of packers this fall are much larger than a year ago. Likewise, stocks of canned single-strength grapefruit and blended juice are up.

#### Deciduous Fruit

Total production of deciduous fruits is expected to trend slowly upward over the next few years, chiefly because of rising trends in apples, sour cherries, peaches, and cranberries. Production has been above average during both 1961 and 1962, due partly to increases in tree numbers and



generally favorable weather. In 1963, production may not be up to the heavy 1962 output if the weather is no better than average. Reductions next year seem most probable for sweet and sour cherries; increases are expected for apricots; no great change from 1962 seems likely for other important fruits.

The 1962 crop of deciduous fruits, as estimated October 1, was about 2 percent below the large production in 1961 but 4 percent above average. Production in 1962, compared with 1961, was smaller for apples, peaches, grapes, apricots, and plums; but larger for sweet cherries, sour cherries, pears, prunes, and cranberries. The cranberry crop was record large.

Stocks in cold-storage--mostly apples and pears--will provide most of the supply of fresh deciduous fruit from now through the first half of 1963, especially until fruit from the new crop becomes available. Year-end stocks of apples are expected to be larger in the Western States, smaller in the Central and Eastern States, than on January 1, 1962. Year-end stocks of pears may be up somewhat.

Supplies of fresh strawberries in 1963 will depend largely upon prospective acreage for harvest, which is down a little from 1962.

Market prospects for apples in domestic outlets this fall and winter appear more favorable than a year ago. Consumer demand for fresh and processed apples is expected to be at least as strong as in the 1961-62 season. Demand from processors for apples for canning is even better than last year. The market for the 1962 crop of pears has not been as strong as for the 1961 crop, and prices have averaged lower. But some pick up in prices should occur this fall after the usual heavy harvesttime supplies are moved.

The 1962-63 pack of canned deciduous fruits may not be greatly different from the record 1961-62 pack. The new packs of California clingstone peaches and fruit cocktail are record large. But the pack of frozen deciduous fruits and berries is expected to be smaller, mainly because of a reduction in red tart cherries. Output of dried fruits is expected to be down, chiefly because of a large reduction in raisins.

#### Tree Nuts

The 1963 crop of the four edible tree nuts combined should be considerably larger than the relatively light 1962 crop. Total production in 1962 was down sharply from 1961 and the smallest since 1954. Heavy reductions in pecans, almonds, and filberts much more than offset a substantial increase in walnuts. Grower prices for the 1962 crops are expected to average above 1961 prices, except for walnuts, for which the average price probably will be down somewhat.

In the 1962-63 marketing season, exports of walnuts may be above 1961-62, those of almonds down. Imports of cashews may be about as large as in 1961-62; those of Brazil nuts may be smaller because of reduced foreign supplies.

This represents mostly the highlights of the 1963 Outlook issue of  
The Fruit Situation for October 1962, issued by the  
Economic Research Service



UNITED STATES DEPARTMENT OF AGRICULTURE  
Economic Research Service

OUTLOOK FOR LIVESTOCK AND MEATS IN 1963

Talk by Lawrence W. Van Meir  
Economic and Statistical Analysis Division  
at the 40th Annual Agricultural Outlook Conference  
Washington, D. C. 3:15 P. M., Wednesday, November 14, 1962

The outlook for 1963 holds promise for some improvement in the price for lambs, but slight decreases in cattle and hog prices. Cattle marketings will increase in 1963 and, because of the upward trend in the demand for beef, likely will more than offset any decrease in price so that cash receipts from the sale of cattle and calves will be up from receipts this year. Cash receipts from hogs and sheep and lambs in 1963 are expected to be about the same as for this year.

Total meat production this year probably will be up slightly from the 28.6 billion pounds produced last year. Domestic supplies were supplemented by larger imports and cold storage stocks. Per capita consumption of all red meats in 1962 will be close to 162.5 pounds--an increase of about 1.5 pounds from the 161 pounds consumed per person in 1961.

Increased beef and pork production in 1963 probably will more than offset a decrease in production of veal, and lamb and mutton. Total red meat supplies next year are expected to increase sufficiently to add an additional pound to per capita consumption.

#### CATTLE

Cattle slaughter for 1962 is running about 2 percent above last year, but beef production will be up only a little over 1 percent because of a drop in the average dressed weight. Federally-inspected slaughter this year includes more steers and cows but fewer heifers than last year. Calf slaughter for the year is expected to be down about 3 percent from the 8.1 million head slaughtered last year and will be the lowest level of calf slaughter since 1930.

There has been an improvement in consumer demand this year compared with a year earlier. Per capita disposable income in the first half of this year was up 4.2 percent from the first half of 1961. Below-normal temperatures through the summer also are believed to have had a significant impact on the demand for meat this year.

A strong demand for beef this year, accompanied by a relatively short supply of slaughter cattle, resulted in the price of slaughter cattle being bid up relative to the retail price of beef. Thus the farm-to-retail spread narrowed substantially. The marketing margin averaged about 30.1 cents a pound for the first three quarters of this year, compared with 33.2 cents a pound for the comparable period last year.



The increase in cattle numbers that started in 1958 is continuing this year, and numbers are expected to increase again in 1963. The addition of cattle to the inventory, in the form of the calf crop and imports, is exceeding the disappearance from the inventory, due to slaughter and death losses, by about 2.5 million head this year. This year for the first time in history, cattle numbers in the United States are passing the 100-million head mark, with an inventory of about 102 million head in sight for next January. This will represent an increase of about 2.5 percent from the 99.5 million head reported in the beginning inventory this year.

The total increase in cattle numbers understates the potential gain in beef production. The number of cattle kept for milk production has decreased each year since 1954. The gain in the number of cattle in the beef cattle inventory is expected to be about 4 percent this year, up slightly from the gains in beef cattle numbers of 2.0 and 3.4 percent in 1960 and 1961, respectively.

The inventory of cattle and calves on feed January 1, 1963 is expected to be up 7 to 8 percent over this year's beginning inventory. The carryover of cattle into the January 1 inventory, from this year's October 1 inventory, will be 15 to 17 percent greater than the similar carryover last year. And the number of cattle placed on feed in the fourth quarter of this year likely will equal or exceed the number placed on feed in the fourth quarter of 1961.

Commercial cattle slaughter in 1963 is expected to be near 27.0 million head--up 3 to 4 percent from this year's commercial slaughter. Beef production probably will increase by a like amount.

The increase in slaughter next year is expected to be made up mostly of steers and cows with only a slight increase in heifer slaughter. The additional increase in cow slaughter in 1963 may be sufficient to decrease imports of beef somewhat from this year's record level. Total beef consumption next year probably will reach a record of about 16.7 billion pounds and per capita consumption may increase a pound to about 90 pounds per person.

The total demand for beef next year will increase as a result of population growth, a continued upward trend in the preference for beef, and an increase in real per capita income. However, the increase in per capita disposable income next year will have to be about the same as this year to hold cattle prices at this year's level. But the prospective gain in per capita income for next year is less than this year's gain, particularly in the first half of the year. Therefore, cattle prices in 1963 may average a little lower.

Fed cattle prices in 1963 are expected to continue above 1962 prices until mid-winter but then may average under this year's price from then through spring. Prices for slaughter cows probably will increase seasonally in the late winter and spring months but may average slightly under this year's price.

The cattle cycle that started in 1958 has now progressed sufficiently so that some definite conclusions can be drawn as to the nature of the current cycle as well as the outlook for the cattle industry for the next 3 or 4 years. The most significant difference between this cycle and the last is in the increase in the number of beef cows in the inventory. The increase over a five-year period in the current cycle has been less than half of what it was in the 1949-56 expansion. An important part of this situation has been the lack of a large increase in the number of heifers added to breeding herds. An expanding cattle feeding industry has kept a large proportion of the heifer

supply going into feedlots and on to slaughter. Therefore, we have not achieved the potential capacity to increase slaughter in this cycle that we did at the same relative point in the previous cycle.

Decreased calf slaughter and increased imports of cattle were important factors in the increase in cattle numbers from 1958 to the present. However, these factors will not have as great an influence in the future and the increase in cattle numbers will be more nearly dependent on the rate of increase in the calf crop. Therefore, it appears that relative stability is likely to continue for the cattle industry the next 3 to 4 years.

This situation could be reversed in the future. However, to do so, heifer slaughter would have to be curtailed sharply if heifers were to be added to breeding herds in greatly increased numbers. In this case, fed cattle prices probably would rise significantly for a couple of years.

The cattle industry always is vulnerable to severe widespread drought. However, the beef cattle industry in 1963 will be less vulnerable to drought than in 1953. The price for Good and Choice stocker-feeder calves is currently in the \$28-\$32 range. In 1953, the price for Good and Choice stocker-feeder calves was in the \$20 range. At the 1953 price, the cow-calf operator could only cover costs under normal grazing conditions, and had little or no margin to offset the increased cost incurred during drought conditions. At the current price for calves, the cow-calf operator is in a much better position to meet the higher costs caused by drought.

#### HOGS

Hog slaughter is now near the fall seasonal peak and prices near the fall seasonal low. Slaughter during the remainder of this year is expected to decline seasonally and likely will be close to year-earlier slaughter. Some gain in price may occur from mid-December through early February, but the price recovery would be moderate. Slaughter during this period would be largely from April-May farrowings which were about 5 percent below farrowings in the comparable period last year.

Producers in 10 Corn Belt States reported in September that farrowings for the first half of the 1962 fall pig crop were up 4 percent from last year. They also reported intentions to increase farrowings by 4 percent in the last half of the fall farrowing season. In the June pig crop survey, producers outside the 10-State area reported intentions to farrow fewer sows this fall than a year ago. If producers in these States did not alter their intentions drastically, then the fall pig crop this year would be about 2 to 3 percent larger than a year ago. This increase in fall farrowings would be reflected in slaughter from mid-winter on. Therefore, barrow and gilt slaughter through spring is expected to be up slightly from this year, with prices averaging under this year.

Producers in the 10 Corn Belt States in September also reported intentions to increase spring farrowings in 1963 by 4 percent. The hog-corn ratio during the past year has been favorable to hog production. However, the trend of hog prices has been downward most of the decade of the 1950's and nonfeed costs have increased. Furthermore, except for brief periods in the summer, hog prices during the past 2 years have not varied much from a level of \$16.70. This is quite a change from the 8-market average price of \$22.25 preceding the 1955 upsurge in farrowings, and the \$20.25 average price preceding the 1959 increase in farrowings. Consequently, it may take even a higher hog-corn ratio than that of the last 2 years to result in a large increase in farrowings.



An increase of 4 percent in the 1963 spring pig crop would result in a little greater increase in the supply of pork during the late summer and fall of next year than the increase in demand that will result from the increases in population and consumer income. Consumers have not demonstrated an increasing preference for pork in recent years and, if anything, the preference for pork in recent years has declined gradually. Therefore, an increase of 4 percent in the spring pig crop next year likely would result in a seasonal price a year from now about \$1 to \$1.50 under current prices. A decrease in the price of hogs of this magnitude next fall, along with prices under a year earlier through most of the spring and summer of 1963, likely would act as a restraint on any possible large increase in the 1964 pig crop.

#### SHEEP AND LAMBS

Sheep and lamb slaughter the first quarter of 1962 was high relative to the number of lambs on feed at the beginning of the year, thus reflecting a larger than normal slaughter of lambs out of the stock sheep inventory. The high rate of slaughter during the first quarter of this year held lamb prices at a low level.

The slaughter of lambs out of the stock sheep inventory tapered off in late March and lamb prices recovered sharply in the second quarter. The average price received by farmers for lambs in June of this year was \$19.90 per hundredweight, the highest average farm price for lambs since June of 1960. Lamb prices, through the balance of the year to date, have continued at a level much improved over the low prices of 1961.

The preliminary estimate for the 1962 lamb crop is 20,358,000 head, down 4 percent from the 1961 lamb crop, with most of the reduction in the late lamb crop. However, slaughter during late summer and early fall has not decreased in proportion to the decrease in the size of this year's lamb crop. Apparently, a larger proportion of this year's lamb crop is going to slaughter.

Sheep and lamb numbers this year are being decreased about as rapidly as last year. The liquidation of sheep and lamb numbers in 1961 amounted to about 1.5 million head. The inventory of sheep and lambs decreased from 32,967,000 head January 1, 1961 to 31,446,000 head January 1, 1962. Therefore, the sheep and lamb inventory next January probably will be near 30 million head--the lowest year beginning inventory since 1950. Large scale liquidation is not expected in 1963. However, even a small reduction of numbers next year would result in the smallest number of sheep and lambs on farms at the end of the year for any year since the first records were kept in 1867.

Because of the high rate of slaughter so far this fall, the number of lambs on feed and the number of lambs carried in the stock sheep inventory next January are expected to be down sharply from January of this year. Therefore slaughter in the first quarter of next year may be as much as 15 to 20 percent under the first quarter of 1962, with prices much improved relative to January-March prices this year. Slaughter in the second quarter of 1963 likely will be closer to a year earlier than for any of the other quarters of the year. Slaughter during this period will come primarily from the early spring lamb crop, which probably will not be down as much as the late lamb crop.



United States Department of Agriculture  
Economic Research Service

The Outlook For Peanuts In 1962-63

Talk by George W. Kromer  
Economic and Statistical Analysis Division  
at the 40th Annual Agricultural Outlook Conference  
Washington, D. C., 1:30 P. M., Thursday, November 15, 1962

The total supply of farmers' stock peanuts during the 1962-63 marketing year that began August 1, 1962 is currently estimated at 2,065 million pounds, 1 percent less than last year. The decline is due to the smaller crop which more than offset slightly larger beginning stocks. The 1962 peanut crop is nevertheless considerably in excess of probable food and farm uses, and CCC will acquire the surplus under the support program.

The 1962 peanut crop was estimated as of October 1, 1962, at 1,705 million pounds compared with 1,743 million in 1961. Declines in the Southeastern and Southwestern areas of the peanut belt more than offset gains in the Virginia-Carolina area. The decline is due to lower yield per acre--1,203 pounds this year compared with 1,220 pounds in 1961--as the acreage to be picked and threshed at 1,416,500 acres is only 1 percent below the acreage harvested for nuts last year. Acreage allotments for 1962 crop peanuts were again at the legal minimum of 1,610,000 acres for picking and threshing. On the other hand because of the longer term uptrend in yields, output of peanuts from the minimum allotment provides a surplus of peanuts above edible requirements even though population is increasing.

The 1962-63 outlook is for farm prices of peanuts to average around 11.0 cents per pound, about the same as last year. The 1962 crop of peanuts is well in excess of food and farm requirements, and farm prices, as in recent years, are likely to average near the CCC support rate.

Prices to farmers for 1962 crop Spanish and Runner type peanuts so far this season are averaging at about the support level and not much different from last year. Virginia-Carolina peanuts have just started to move in volume and prices are also running near the 1962 loan rate.

The 1962 crop peanuts is being supported at a national average level of 11.1 cents per pound (\$221.40 per ton), slightly above the 1961 crop. The 1962 support price is 82 percent of parity. Support by type of peanut is: Virginia, \$234.19 per ton; Runner, \$208.71; Southeast Spanish, \$226.35; Southwest Spanish, \$217.13; and Valencia, suitable for cleaning and roasting, \$234.19.

Principal provisions of the 1962 program are similar to those in effect for the 1961 crop. Price supports are available by means of nonrecourse warehouse storage loans to grower associations, nonrecourse farm storage loans to producers, and purchase agreements. Loans on 1962-crop peanuts are available to individual producers and grower associations through January 31, 1963; they will mature May 31, 1963, or earlier on demand by CCC.

Civilian consumption of peanuts in the post World War II era has been relatively stable averaging about 6.5 pounds per person, farmers' stock basis

(4.5 pounds shelled basis), about the same as for 1937-41. Supplies of peanuts in most years were plentiful, and prices to growers averaged near support. Of the normal consumption of 6.5 pounds per capita, about 5.5 pounds are usually consumed in the form of peanut butter, salted peanuts, and in candy. The other pound is almost equally divided between roasted peanuts (the ball park type) and those consumed as food on farms.

In each of the past two years, peanut consumption per person averaged nearly 7 pounds and this rate is expected to prevail during the 1962-63 marketing year. With population gain in prospect, this means that total consumption of peanuts will rise slightly. Assuming a slight increase in total peanut consumption and farm uses about the same as in recent years, around 250 million pounds or 15 percent of the 1962 crop would be available for crushing, exports, and additions to stocks.

A large quantity of 1962 crop peanuts acquired by CCC under the 1962 support program will be diverted by the Corporation into peanut butter manufacture for distribution to school lunches and needy persons. Preliminary estimates are that around 75 million pounds of 1962 farmers' stock peanuts may eventually wind up in the CCC peanut butter program (Section 32 and donation programs). The total quantity crushed, exported, diverted into peanut butter manufacture for donation, or carried over next August 1 depends upon the CCC diversion policy.

Economic outlook information for peanuts is published regularly in the Fats and Oils Situation, a processed publication by the Economic Research Service, Economic and Statistical Analysis Division. This statement is a summary from the 1963 Outlook Issue, FOS-215 for November 1962.

UNITED STATES DEPARTMENT OF AGRICULTURE  
Economic Research Service

OUTLOOK FOR POULTRY AND EGGS IN 1963

Talk by Herman Bluestone  
Economic and Statistical Analysis Division  
at the 40th Annual Agricultural Outlook Conference  
Washington, D. C., 10:50 A. M., Thursday, November 15, 1962

The poultry industries in recent years have undergone dynamic changes in technology, structure, and organization. These changes have created strong pressures toward increased production. They also have made output less responsive to price declines. In the absence of sharp price reductions, poultry and egg production tends to expand each year. When prices rise, sizeable increases usually occur in poultry, but eggs tend to exhibit a much smaller response.

The higher prices than in 1961 received by broiler and turkey producers in 1962 appear to have set the stage for a large expansion in poultry production in 1963. The upturn in broiler production is already well underway. In addition, turkey growers in October revealed plans to keep more breeder hens than a year ago. Some increase in egg production also may occur, because egg prices late this year and early next year may be high enough to encourage a moderate increase from 1962 in the number of replacement chickens raised.

Broiler prices this year were much higher than a year ago between June and October, even though broiler production during these 5 months was only a little below the same period last year. The price strength stemmed from a number of factors, all of which contributed to higher prices than in 1961. These included higher red meat prices, lower turkey consumption, greater purchases of young chickens for the School Lunch Program, and the strong export demand which depleted on-the-farm inventories of live broilers. In addition, supplies followed the 1961 pattern closely. There was no huge increase in output from the year earlier concentrated in a short time span--an occurrence which demoralized the market in 1961.

Because the timing, impact, and duration of these developments that led to higher prices were difficult to foresee, the broiler industry did not increase production immediately in response to the relatively favorable prices. However, egg settings began to climb relative to a year ago in July. By the last week of September, they had soared to 25 percent above the 1961 level. Since then hatching activity has continued to run much higher than a year earlier. Consequently, broiler slaughter will be up from a year ago by about 10 percent in November and 20 percent in December. These large increases will lead to another record high broiler production in 1962. Prices are likely to drop and be below a year earlier near the end of 1962.

Broiler output may continue much above and prices below the 1962 level throughout much of 1963, particularly in the first part of the year. There are a number of reasons for this expectation. First, the broiler industry is in a much stronger financial position than it was a year ago. Second,



prices in early 1963, while lower than in the same months of 1962, may not be so low as to force an immediate sharp reduction in broiler production. Finally, output will be encouraged by an expected increase in the supply of broiler hatching eggs.

The bulk of the 1962 turkey crop is being marketed at prices significantly higher than the extremely low prices of 1961. Because slaughter at the end of the year is expected to be much closer to year-ago levels that has been the case in the past several months, the usual November-to-December price rise may not materialize this year. In mid-October, producers received 21.9 cents per pound for turkey compared with 17.3 cents a year earlier.

For 1963, a turkey crop larger than this year's 92 million birds appears in prospect. Such a crop would be second in size only to the record 1961 output of 108 million turkeys. As a consequence of the extremely depressed prices of 1961, the breakeven point in turkey prices appears to have been reduced much below the average price of 24.2 cents per pound that prevailed in 1957-60. It appears that growth in turkey production would continue at U. S. average prices 3 to 4 cents lower than this, unless storage holdings at year end were at burdensome levels which is not likely to be the case this year.

In October, turkey producers in 15 States expressed intentions to keep about the same number of breeder hens of the heavy breeds as in 1961 and 14 percent more of the light breeds. For all breeds, this would represent an increase of about 1 percent. A national turkey breeder flock this large could provide enough hatching eggs for a substantial increase in turkey production. Because great uncertainty surrounded production plans in 1962, turkey breeder hens were not forced into heavy production through the use of artificial lights until relatively late in the season.

On August 1, the European Economic Community (Common Market) put into effect new trade regulations for poultry. These established a much higher price for poultry imported into the Common Market than had previously prevailed and may have temporarily arrested poultry consumption in the EEC. U. S. exports first reflected the impact of the new regulations as early as July. This was because it takes about 2 weeks to ship poultry to Europe and because importers in the Common Market had already accumulated large stocks in anticipation of the higher prices.

Broiler exports reached a peak in June and were equivalent to about 7 percent of domestic production. By August, exports had declined to 3 percent of production. Turkeys exhibited a similar pattern, but volumes involved were much smaller. Although there may be some recovery in the movement of poultry abroad during 1963, the longer-term outlook is for the Common Market to become largely self-sufficient in poultry production. This would have undoubtedly occurred, even in the absence of the higher trade barriers. But it would have been a more gradual process.

The September-May seasonal rise in egg production is likely to be more gradual in 1962-63 than in 1961-62. On October 1, the number of potential layers was down 1 percent from the same date in 1961. In early 1963, layer numbers may fall further below the year-earlier level, reflecting the likelihood of a more rapid disposition of an older laying flock. Expected gains in the rate of lay are not likely to be fully offsetting, with the result that egg production early next year may be lower than in the same period of 1962.

The usual fall-to-winter decline in egg prices may be arrested or possibly temporarily reversed this season. During this period, egg supplies are likely to be shrinking compared with a year earlier. In addition, small stocks of shell and frozen eggs indicate that the demand on the part of commercial breakers will be a strong price--sustaining force for eggs over the next several months as it was a year earlier.

Prices late this year and early next may be high enough to induce about a 5 percent increase in the number of chickens raised for flock replacements. Most of the increases in hatch of egg-type chicks is likely to occur in the first 4 months of the year. If this materializes, the Nation's laying flock would probably be restored to year-earlier size in the second half of 1963. With a continuation of the uptrend in the rate of lay likely, egg production during this period would probably exceed the 1962 output. This would tend to limit the seasonal climb in egg prices in 1963 compared with 1962. Egg production for 1963 as a whole may be up a little from 1962; prices are likely to average somewhat lower because demand may decline further.





## UNITED STATES DEPARTMENT OF AGRICULTURE

## OUTLOOK FOR RICE

Statement by  
Robert E. Post

Economic and Statistical Analysis Division, Economic Research Service  
and

Dexter V. Rivenburgh  
Grain and Feed Division, Foreign Agricultural Service  
at the 40th Annual Agricultural Outlook Conference  
Washington, D. C., Friday, November 16, 1962

Acreage controls and large-scale exports, principally under Government programs, reduced carryover stocks of rice to 5.3 million hundredweight, rough equivalent, on August 1, 1962, from the record level of 34.6 million, 6 years ago. This was a reduction of 85 percent. The carryover on August 1, 1963, is projected at 8.5 million cwt., representing a more desirable carryover level than the 5.3 million on hand last August 1. Should acreage in 1963 return to the 1961 level, production would be about equal to domestic use and exports. As a result, carryover on August 1, 1964 could be about the same as estimated for August 1, 1963.

#### The U. S. Rice Situation in 1962-63

The U. S. supply of rice for the 1962-63 marketing year is estimated at 69.3 million cwt., 8 percent above the supply a year earlier and about the same as the 5-year 1956-60 average of 69.0 million cwt. Supply consists of a carryover August 1, 1962 of 5.3 million cwt., half of what it was a year earlier; production in 1962 of 63.8 million cwt., the second largest of record and up 10 million cwt., or 19 percent, from a year earlier, reflecting the increased acreage under the 1962 program and record high yields; and imports of 0.2 million cwt.

Domestic disappearance in 1962-63 is estimated at 28.8 million cwt., which compares with 28.3 million cwt. a year earlier and 26.9 million cwt., the 1956-60 average. Food use is estimated at 21.5 million cwt., up slightly from the 21.1 million in 1961-62; brewers use at 5.0 million, slightly above a year earlier; and feed and seed use at 2.3 million cwt., slightly below a year earlier. Exports in 1962-63 are estimated at 32.0 million cwt. compared with 29.2 million in 1961-62. On the basis of these figures, the carryover August 1, 1963 would total about 8.5 million cwt., up from the 5.3 million cwt. August 1, 1962.

#### Rice Acreage, Yield and Production

Rice yields per harvested acre increased gradually from 1945 to 1954, except for a slight drop in 1951. Along with increased yields, acreage showed an upward trend and, following the bumper crop produced in 1954, it became necessary to establish acreage allotments and proclaim marketing quotas beginning with the 1955 crop. Although this action reduced acreages, yields increased sharply in 1955 and continued to increase, except for 1958 and 1961, through 1962. Despite the increased yields, acreage control has held production below the record 1954 level, but not enough to permit

discontinuing marketing quotas. The allotment for the 1956 through 1961 crops was at the statutory minimum of 1,652,596 acres. In 1962, this was increased 10 percent to assure adequate rice supplies to meet possible export needs stemming from unsettled world conditions, particularly in the rice-consuming and rice-producing areas of the world. The October 1 estimate of harvested acreage in 1962 is 1.75 million acres, up 10 percent from a year earlier; yield was 36.46 cwt., up 8 percent; and production, 63.75 million cwt., up 19 percent.

# The U. S. Rice Outlook for 1963-64

The acreage for 1963-crop rice has not been established. However, assuming about 1,595,000 acres are harvested in 1963 (about the same level as in 1960 and 1961, before the 10 percent increase in acreage permitted under the 1962 program) and if yields per harvested acre of 36.00 cwt. are obtained (1962 yields were at a record high of 36.46 cwt), a crop of 57.4 million cwt. would be produced. While this is 10 percent below the near-record production in 1962, it is 17 percent above the 1956-60 average. With a carryover August 1, 1963 of about 8.5 million cwt. and imports of about 0.3 million cwt., supplies for the 1963-64 marketing year would total 66.2 million cwt.

Domestic disappearance in 1963-64 is estimated at 28.8 million cwt., about the same as a year earlier. Exports are projected at about 29.0 million cwt., which compares with 29.2 million in 1961-62 and 26.9 million, the 1956-60 average. On this basis, the carryover of rice August 1, 1964 may be about the same as the 8.5 million cwt. expected August 1, 1963.

## Rice, rough equivalent: Supply and distribution, United States, 1957-62 and 1963 projected 1/

	Year beginning August 1						
	1957	1958	1959	1960	1961	1962	1963
						2/	3/
	Mil.	Mil.	Mil.	Mil.	Mil.	Mil.	Mil.
	cwt.	cwt.	cwt.	cwt.	cwt.	cwt.	cwt.
<u>Supply</u>							
Carryover, August 1	20.1	18.2	15.7	12.1	10.1	5.3	8.5
Farm production <u>4/</u>	43.0	44.8	53.7	54.6	53.7	63.8	57.4
Imports <u>5/</u>	.2	.2	.8	.3	.3	.2	.3
Total <u>6/</u>	62.8	61.5	69.3	66.7	62.8	69.3	66.2
<u>Domestic Disappearance</u>							
Food <u>7/</u>	19.0	18.8	20.7	19.9	21.1	21.5	21.5
Industry <u>8/</u>	4.8	4.7	5.0	4.9	4.7	5.0	5.0
Feed and Seed	2.5	2.6	2.3	2.3	2.5	2.3	2.3
Total	26.3	26.1	28.0	27.1	28.3	28.8	28.8
<u>Exports</u>	18.3	19.7	29.2	29.5	29.2	32.0	29.0
Total disappearance	44.6	45.8	57.2	56.6	57.5	60.8	57.8
Ending stocks	18.2	15.7	12.1	10.1	5.3	8.5	8.4

1/ Milled rice converted to rough basis at annual extraction rate. 2/ Preliminary. 3/ Projected. 4/ Includes estimates of production in minor states. 5/ Consist mostly of broken rice. 6/ Adjusted to equal total distribution. 7/ Includes shipments to territories and military food use at home and abroad. 8/ Primarily for beer production.



Announcements relating to acreage allotments, marketing quotas and the price support for the 1963 crop will be made later this year.

Prices received by farmers for rice, including an allowance for unredeemed loans and purchase agreement deliveries, have averaged above support levels in all but 2 years, 1951-52 and 1954-55. In 1961-62, they averaged 31 cents above the national support of \$4.71 per cwt.; a year earlier, they averaged 13 cents above the support. In 1962-63, they are again expected to average well above the support rate announced at \$4.71 per cwt.

### The Outlook for World Trade

On January 1, 1960, the beginning of the 1960 world rice marketing year, carryover stocks in the leading major world rice exporting countries were approximately 28 million cwt., milled rice equivalent. On January 1, 1961, these stocks had dropped to 20 million cwt., and as of January 1, 1962, the downward trend had continued with stocks down to 10.5 million cwt. Of the 1962 opening stocks, about two-thirds were held by the United States. Stocks held in the United States on January 1 of any year are proportionately higher than for any of the other major world rice exporters, as at that time all of our production has been harvested and is largely in procession channels. As of January 1, 1962, stocks of old-crop rice in other major exporting countries totaled only about 3.5 million cwt., an important factor in an evaluation of the world market.

The 1961-62 world rice harvest, estimated at 2,158 million cwt., milled equivalent, from which calendar 1962 exports were drawn, was approximately the same as for the preceding year. Some of the individual country variations were important. For exporting countries, some production declines were offset, as has been the case in previous years, by a draw-down in stocks. This was true in the case of Thailand, Burma, the United States, Italy, and other countries. Cutbacks in production in the United Arab Republic resulted in only very small exports of short-grain rice from January to October 1962 after which new-crop supplies became available. The Republic of South Vietnam has not exported any rice so far in 1962, except for a very small amount of broken, because of reduced production as well as internal political troubles.

The pattern of world trade during the first 9 months of 1962 has been affected by some curtailment of free world export supplies, plus a continued reduction in supplies from Mainland China. Total export availability of long- and short-grain varieties has been less than last year, with some of the unfilled demand for short grains being shifted to medium grains. As a result, prices of rice moving into international trade under commercial arrangements (not including government-to-government bi-lateral contracts) rose rather sharply in the first half of 1962. In April-May, prices were almost at the high 1954 levels. The price advances were strongest for short and long grains, in that order, but prices also were higher for medium grains due to their utilization against unfilled demands for short grains.

Prices began to level off after May in the major markets for quality rice, probably reflecting somewhat higher stocks in the hands of importers and an unwillingness to continue to make substantial commitments until new-crop supplies were in the market. Early fall offerings from Egypt and Asia have



been made at reduced prices but substantial sales have not been too widely reported. It is apparent that stocks in importing countries are still at levels that permit holding off from new commitments of any size. The apparent outstanding exception to this is Indonesia, where rice is in short supply and likely to continue so until late spring of 1963.

The volume of world trade in 1963 should be fairly stable. World trade in the coming year must again be filled almost entirely from current production (1962-63), in view of present stock levels. While it is too early to evaluate total supplies, the improved production of short grains in Italy, Egypt and Spain in the Mediterranean area and the likelihood that long and medium grains will be at or slightly above last year's levels in other parts of the world, seem to indicate that the coming year would show improved supply stability for all types of rice. Prices are likely to be at or nearer 1961 levels than those of 1962.

#### The Outlook for U. S. Rice Exports

Exports from the United States in the 1962-63 marketing year should be at a slightly higher level than for the past year. While the market was slow for long grains in the early fall months of 1962, this condition should improve as the year progresses. World supplies of rice, in direct competition with U. S. marketings of long grains, do not as yet show any material change which would indicate any reduction in our export marketings of long grains. However, the competitive position of U. S. short grains, particularly brown rice shipments to Europe, will not be as good as last year. Additional supplies of short grains from Italy and Spain as well as an exceptionally good crop in the United Arab Republic may lower the level of U. S. exports in the coming year. In the current world market, the relationship between supplies of medium grain and short grain is much more pronounced than it is between medium and long. Therefore, the extent to which medium-grain varieties supplied requirements of short-grain varieties last year in some markets may be a limiting factor.

Another unknown factor is, of course, the final decisions which may be made on rice in the Common Market Countries. It is not expected now that there will be any final regulations agreed to and placed into operation prior to January 1, 1963 and perhaps not before April 1. If the regulations prove unduly restrictive on rice moving from the United States under commercial sales, then total exports may decline. However, the delays in establishing the rice regulations may result in compromises which will favor the United States as the major supplier of rice to the Community from outside sources. These decisions will be a key factor with regard to the maintenance of the current level of U. S. exports of higher grades and qualities of rice.

In 1961-62, U. S. cash sales for dollars rose substantially due to world supply conditions. Even with better distribution of world exportable supplies during the coming year, demand for U. S. varieties of rice should continue to show strength although the improvement may be somewhat below that of last year. Prices are likely to average nearer those of 1960-1961 and to be below those of 1961-1962.

UNITED STATES DEPARTMENT OF AGRICULTURE  
Economic Research Service

OUTLOOK FOR TOBACCO IN 1963

Talk by Arthur G. Conover  
Economic and Statistical Analysis Division  
at the 40th Annual Agricultural Outlook Conference  
Washington, D. C., 10:50 A. M., Friday, November 16, 1962

The 1962-63 total supplies of flue-cured and burley--the two big volume tobaccos--will be around 2 percent above 1961-62 and above each of the preceding 4 years. This year's crops of flue-cured and burley are the largest for several years. For other kinds, supplies vary--some of them down moderately or not greatly different from last year, although total supplies of Maryland and some cigar filler types will be larger.

The consumption of cigarettes and cigars in 1962 is likely to top 1961 but smoking tobacco and snuff are below last year. The annual gain for cigarettes will be the smallest in several years; the 1962 increase in cigar consumption follows two years of barely holding even. Consumption of smoking tobacco may be second lowest on record and that of snuff probably will be the smallest in many years; use of chewing tobacco is holding close to the level of last year.

The foreign market--usually the outlet for about a fourth of U.S. tobacco--may take a little more in calendar year 1962 than in 1961 but exports of tobacco during the fiscal year 1962-63 may be a little below 1961-62.

The 1963 marketing quota and acreage allotment for flue-cured tobacco will be announced by December 1, 1962, but the Secretary of Agriculture has until February 1 to announce the 1963 quotas and allotments for burley and other kinds of tobacco. Referendums will be held in which growers of Maryland tobacco, of Ohio cigar filler and Wisconsin binder, and of Connecticut Valley binder types will vote on whether or not to continue marketing quotas on their 1963, 1964 and 1965 crops. Marketing quotas will definitely be in effect for the 1963 crops of flue-cured, burley, fire-cured, dark air-cured, and sun-cured tobaccos, since growers of these kinds voted 3-year approval in referendums held during 1961 and early 1962.

Government price support is mandatory for the tobaccos produced under marketing quotas. The 1962 overall levels of support for the eligible tobaccos are 1 percent above 1961 and available data indicate that the 1963 levels will be up about another 1 percent. The 1963 support levels will be established by increasing the 1959 support levels so as to reflect the relative increase between (1) the 1959 parity index, and (2) the average of the index in the years 1960, 1961 and 1962. The parity index is the index of prices paid by farmers, including interest, taxes and farm wage rates.

Position of Different Kinds of Tobacco

Flue-cured: The 1962-63 total supply of this leading cigarette and export tobacco is over 2 percent above 1961-62 and the largest in 5 years. The 1962 crop is about 7 percent larger than last year's and this increase more than offset the slight drop in carryover. Yields per acre for the entire growing



area combined set a new record, though not in each belt. This year's crop will exceed the combined domestic use and exports in 1962-63 so that the carryover in mid-1963 will show an increase--the first in 6 years. During 1961-62 the domestic use of flue-cured declined a little even though domestic cigarette manufacture--the biggest outlet--showed an increase. Exports of flue-cured were enough larger in 1961-62 to offset the drop in domestic use so that total disappearance in 1961-62 held even with the year before. Flue-cured tobacco exports under the barter program increased significantly in 1961-62; P. L. 480 barter and foreign currency sales combined accounted for about a fifth of total exports. In 1962-63, domestic use of flue-cured should gain a little but it seems likely that exports may be a little lower than the 6-year high of 1961-62.

By early November, all except 4 or 5 percent of the flue-cured crop had been marketed. For marketings thus far, quality, in general, has been below last season. The 1962 auction market price for all flue-cured sold through early November averaged 60 cents per pound--4 cents less than the comparable average last year. The 1962 crop price support was 56.1 cents per pound. This season on an experimental basis, flue-cured tobacco of certain grades could be sold in untied form on the markets of South Carolina, North Carolina and Virginia during the first 5 sales days. Heretofore, all sales in these States had been tied tobacco, but sales in the Georgia-Florida markets traditionally had been untied tobacco. Government support rates for tobacco sold in untied form are 6 cents per pound lower than for tied tobacco. Approximately 51 million pounds of flue-cured were sold on this experimental basis--the great bulk of it in the Border (type 13) and Eastern (type 12) Belts.

Very little from the experimental untied tobacco offerings went under Government loan, but placements of other flue-cured under Government loan became substantial as the marketing season progressed. Through early November, over 15 percent of market deliveries had gone under loan; the volume is the most in 6 years.

Burley: The 1962-63 total supply of burley--second ranking cigarette tobacco--is estimated to be about 2 percent above 1961-62 and probably the largest since 1957-58. The 1962 crop is indicated to be about 5 percent larger than 1961 and carryover is up a little from a year ago. Average yields per acre this year are indicated to be second only to last year's record average. The estimated 1961-62 disappearance of burley is about 3 3/4 percent above 1960-61 and the largest on record. There was a significant increase in domestic use which accounted for about 92 percent of total disappearance. Exports, accounting for the other 8 percent, rose appreciably and were exceeded only by the volume shipped in the immediate postwar year of 1946-47. Burley auctions will start November 27. The 1962 overall support level is 57.8 cents per pound compared with 57.2 cents last season. Placements under Government loan in each of the past 6 seasons have ranged between 1 and 3 1/2 percent of the crop; Government loan stocks of burley are the smallest in 16 years.

Maryland: The 1962-63 total supply of Maryland tobacco is indicated to be moderately larger than for each of the 3 previous years; the increase from 1961-62 to 1962-63 is largely due to an increase in carryover. Indications are that domestic use dropped considerably below a year earlier, but



exports were only slightly less than in 1960-61. The auction market average for mostly 1961-crop tobacco auctioned last spring and summer was 61 1/2 cents per pound--down a little from a year earlier. The Government support level for the 1962 crop to be marketed next spring and summer is 51.3 cents per pound.

Fire-cured: The 1962-63 total supply of fire-cured tobacco may be about 3 percent less than in 1961-62, mainly due to a drop in carryover. Domestic use of fire-cured (chiefly in snuff) declined in 1961-62 but exports of the Kentucky-Tennessee types rose sharply and were the largest in 11 years. The 1962 overall support level for fire-cured is 39.2 cents per pound. Marketings of Virginia fire-cured begin in late November and for Kentucky-Tennessee fire-cured in January.

Dark air-cured and sun-cured: The 1962-63 total supply of Kentucky-Tennessee dark air-cured may be 3 percent below 1961-62 and the lowest for many years, due principally to a decline in carryover. The 1962-63 total supply of Virginia sun-cured is about the same as 1961-62. Indications are that domestic use of these types increased in 1961-62; exports held at the year-ago level. The major domestic outlet for these types is in chewing tobacco. The 1962 overall support level for these types is 34.8 cents per pound. Auctions for these types usually begin by early December.

Cigar Filler: Indications are that the 1962-63 total supply of Pennsylvania cigar filler will be up 3 percent from 1961-62 and the largest in 11 years; the decrease in the crop from last year is more than offset by the rise in carryover. The 1962-63 supply of Ohio cigar filler exceeds last year, also due to larger carryover. The Government of Puerto Rico has set a larger quota for its cigar filler type which is planted in late 1962 and harvested in early 1963; carryover of Puerto Rican filler is lower than a year ago. The domestic use of Pennsylvania and Ohio filler tobacco in the past year appears to have declined but use of Puerto Rican filler tobacco increased. Stocks of Cuban tobacco in the United States though about a fourth less than a year ago are still nearly 1 3/4 times that normally held in the period prior to the Castro takeover in Cuba. Use of Cuban cigar tobacco (now coming from stocks) continues to decline and less Philippine tobacco was used in the past year than the relatively large amount a year earlier. On the other hand, the use of Colombian and Dominican tobacco in cigar blends jumped sharply, and significant quantities of Brazilian and Paraguayan tobaccos were used.

Cigar Binder Types: The 1962-63 total supply of the Connecticut Valley binder types is indicated to be the smallest on record. Most of the decline is due to lower carryover. Domestic use of these types declined further and is far below the average annual usage prior to the advent of reconstituted sheet binder. The cutoff of tobacco imports from Cuba has created interest in the use of Connecticut Broadleaf for cigar filler purposes. Exports of Connecticut binder types in 1961-62 were down from their 4-year high of 1960-61. The 1962 price support level for these types is 40 cents per pound.

The 1962-63 total supply of the Wisconsin binder types is indicated to be near the 1961-62 level. Although 1962 production is smaller than last year, the increased carryover offset this. Domestic use of Wisconsin tobacco rose some in 1961-62; the principal outlet is in scrap chewing tobacco, which

has been fairly stable in the past 2 years. The 1962 price support level for Southern Wisconsin tobacco is 26.8 cents per pound, and for Northern Wisconsin tobacco, 32.3 cents.

Cigar Wrapper: The 1962-63 total supply of shade-grown cigar wrapper is moderately lower than the record 1961-62 level. Both the 1962 production and carryover were down from a year earlier. Domestic use and exports in 1961-62 were record high; in the preceding 2 years exports had dropped off considerably from earlier levels. Of interest is that in 1962 a small but significant acreage of wrapper was produced for fire-curing. This is viewed as a potential substitute for some of the wrapper previously imported from Cuba.

### Tobacco Products

Cigarettes: Consumption of cigarettes is expected to continue to increase in 1963. Cigarette output this year may total 539 billion--about 11 billion above 1961 and a new high. This is the smallest year-to year gain in several years, though U.S. cigarette consumption about matched the increase in population, 15 years old and over. This is reflected in the practically unchanged per capita consumption from 1961 to 1962. For several years prior to 1962, cigarette consumption increased faster than population. During 1962, there has been considerable publicity on the possible relationship between cigarette smoking and health. As of this time, sufficient statistical data are not available to indicate whether this publicity has had a measurable effect on cigarette consumption.

Important to note is that the Surgeon-General of the U. S. Public Health Service recently established a committee of experts to study the impact of smoking, air pollution, automobile exhausts, and other factors upon health. This study will take well into next year.

An estimated 62-1/2 million people smoke cigarettes regularly--over 37-1/4 million males and nearly 25 1/4 million females. Approximately 60 percent of the males, 15 years and over, smoke cigarettes regularly, and probably around 38 percent of the females. Since 1955, the estimated number of male smokers has increased by approximately 4 1/2 million, and of female smokers, by probably around 7 million.

Cigars (including cigarillos): Further gradual increases in cigar consumption seem likely in 1963. The 1962 consumption of cigars and cigarillos is estimated at about 7,180 million--about 140 million more than in 1961 and above any year since 1923. Cigar and cigarillo consumption per male 18 years and over in 1962 is estimated to be close to the level of the previous 3 years and about 8 percent above 10 years ago. Cigars from Puerto Rican factories have risen sharply in the past few years and will probably account for over 6 percent of the total this year. Cigars made of Cuban tobacco will continue to be available as stocks of Cuban tobacco stored here prior to the embargo are still substantial.

Smoking Tobacco: The 1962 output of smoking tobacco for pipes and roll-your-own cigarettes is estimated at near 71 million pounds--about 3 million below 1961 and probably second lowest on record. Consumption per male,



18 years and over, is about 5 percent lower than last year and over 30 percent less than 10 years ago. No sizable increase in smoking tobacco consumption seems likely in 1963. Imports of smoking tobacco have shown an appreciable rise in recent years but still comprise a relatively small fraction of total consumption.

Chewing Tobacco and Snuff: The 1962 production of chewing tobacco and snuff is estimated at near 65 and 33 million pounds respectively. Indicated output of chewing tobacco is close to last year's but output of snuff may be down 3 percent. If employment should increase in industries where fire hazards prevent smoking, the consumption of chewing and snuff products probably would increase but otherwise a continuation in the downward drift of these tobacco products is likely. Consumption of chewing tobacco per male, 18 years and over, is about 30 percent below 10 years ago, and consumption of snuff per person, 15 years and over, is down more than 26 percent from 10 years ago.

### Exports and Imports

Exports of unmanufactured tobacco in calendar 1962 might approximate 520 million pounds (equivalent to 585 million farm-sales weight). This would top 1961 by about 4 percent and exceed any year since 1955. Contributing to the gain during 1962 was the reduced outturn last year in some European countries because of blue mold disease; also there was a sizable increase in U.S. shipments under the barter program. Viewed over the longer term, rising world cigarette consumption, increasing industrialization and the comparatively steady and high levels of economic activity abroad favor U.S. tobacco exports. But there are offsets such as the stepped-up competition from foreign producing areas and trade restrictions of importing countries. The presently scheduled duty rates of the European Common Market will be disadvantageous to U.S. leaf and further negotiations are expected on tobacco. Of assistance in any future negotiations should be the additional latitude for bargaining provided by the Trade Expansion Act of 1962. The United Kingdom's negotiation to become part of the Common Market is of vital concern to U.S. tobacco growers because of terms that may apply to big tobacco producers in Commonwealth areas.

Imports of foreign cigarette leaf for consumption have risen steadily in recent years, but the rate of increase slackened in 1962. Cigar tobacco arriving from the Dominican Republic and Colombia has increased sharply in the past year or two. The use of Cuban tobacco in blended filler cigars is being gradually reduced.











UNITED STATES DEPARTMENT OF AGRICULTURE  
Economic Research Service

THE 1963 OUTLOOK FOR VEGETABLES AND POTATOES

Talk by John F. Crum  
Economic and Statistical Analysis Division  
at the 40th Annual Agricultural Outlook Conference  
Washington, D. C., 1:30 P. M., Thursday, November 15, 1962

SUPPLY AND DEMAND PROSPECTS

Supplies of canned vegetables available in the current marketing season appear to be substantially larger than both last season and average. Supplies of frozen vegetables probably are slightly to moderately smaller than last season. Less potatoes are available for fall and winter marketing than a year earlier. Materially more sweetpotatoes and dry peas are available, but supplies of dry edible beans may be near those of last season.

A general rise in economic activity is anticipated in 1963, as both Government spending and consumer demand for goods and services are expected to increase. With prospects for a continued high level of consumer income, domestic demand for vegetables is expected to continue strong.

Due to a combination of forces, exports of vegetables and potatoes to Canada, our largest export market for these items, probably will be smaller than a year earlier. The recent devaluation of the Canadian dollar, plus a 5 percent surcharge on some vegetables, may tend to limit exports to that market. Vegetable and potato exports to other nearby countries, never very large, are expected to continue near the same level as last year. However, demand for winter and early spring vegetables is increasing in Northern Europe, and exports to those countries may be larger than in 1962--if supplies are adequate and prices are moderate. Exports of dry beans and peas are expected to be larger in 1962-63, as a result of an expected increase in European demand and continued shipments under P. L. 480 programs

VEGETABLES FOR COMMERCIAL PROCESSING

Supplies of canned vegetables available for distribution into mid-1963 are record large, mainly as a result of a fourth larger crop of tomatoes for processing. Both carryover stocks of canned items in mid-1962 and the 1962 canned pack were considerably larger than in 1961. Supplies of frozen vegetables probably will be slightly to moderately smaller than a year earlier. Carryover stocks of frozen items at the beginning of the current season were larger than a year earlier, but the pack probably is smaller.

Total 1962 harvested acreage of 8 important vegetable crops for processing was about the same as in 1961. Among individual items, moderate acreage increases were reported for green peas and tomatoes; acreage was the same to

smaller than a year ago for most other major processing vegetables. According to reports in early October, indicated production of vegetables for processing was up 14 percent from 1961 and a third larger than the recent 10-year average. The largest increase in production was reported for tomatoes--up 25 percent from last year.

Among major canned items, indications point to slightly to moderately larger supplies of canned snap beans, sweet corn, and green peas during the 1962-63 season, and substantially larger supplies of most tomato items than in the previous season. Supplies of canned green peas are moderately larger than the small supplies of last season.

During the early part of the current season, distributors were buying primarily for current needs and waiting for the market to adjust to a new-crop basis. Prices of most canned items probably were at or near their seasonal low during this period; f.o.b. prices of snap beans and corn averaged below a year earlier but prices of peas were higher. Prices of sauerkraut, tomatoes, and tomato products were about the same as a year ago. Although supplies of many canned items are larger than a year ago, the effect of larger supplies on prices may be offset, to some extent, by higher costs of raw products and increasing costs of processing and distribution. Also, demand for some canned items probably will be up, as a result of an anticipated increase in buying to stock public and private fallout shelters. Nevertheless, with materially larger supplies available, prices of canned items as a whole are expected to average a little below a year earlier. Overall prices of frozen vegetables for the season probably will average near those of last season.

Information on vegetable acreage for processing in 1963 is not yet available. However, should yields next year be near the levels of recent years, acreage cuts for tomatoes, and perhaps a few other processing crops, may be necessary to avoid heavy supplies in the 1963-64 season.

#### DRY BEANS AND PEAS

Supplies of dry beans available in the current season are expected to be about the same as last season but well above the recent 10-year average. Carryover stocks at the beginning of the season were larger than a year earlier, but indicated production is materially smaller than in 1961. Acreage was the same as a year earlier but yields were materially lower.

Production estimates by classes are not available until December, but output by areas points to close to the same supplies of both colored and white classes as a year earlier. Carryover stocks of both classes at the beginning of the season were larger than a year earlier, but estimated production is down. Among important types of beans, supplies of pea beans may be slightly larger than a year ago. But supplies of pintos and great northern appear to be materially smaller than in the 1961-62 season.

Domestic use of beans in the 1962-63 season probably will be near that of last season. Disappearance at this level assumes a continuation of the domestic donation program.

Exports of dry beans may be larger than last season. Some increase in foreign demand is expected because of prospects for a small European crop. Despite continued loss of the Cuban market, exports for dollars may be above last season.

The national average support price for 1962-crop dry beans is \$6.32 hundredweight, the same as in 1961. Actual prices received by farmers compared with last season will vary somewhat depending on the supply and demand situation for various classes. So far this season, overall demand for dry beans has been dull and prices have averaged below a year earlier. However, with smaller supplies and an expected increase in foreign demand, prices to growers probably will average above those of the 1961-62 season.

Supplies of dry peas appear to be materially larger this season than last, as 1962 production is 42 percent larger than the near average crop of 1961. Domestic use of dry peas this season is expected to be about the same to a little larger than in 1961-62. Thus, the quantity of dry peas available for export will be materially larger than a year ago. However, reports indicate a small European crop again this year, and export demand may be somewhat stronger than last season. With prospects of stronger foreign demand, prices of dry peas for the season as a whole may average near those of last season, despite larger supplies.

#### POTATOES AND SWEETPOTATOES

Supplies of potatoes for fall and winter marketings are expected to be moderately smaller than the large supplies of a year ago. But supplies still are heavy compared with most other recent years. Combined production of late summer and fall potatoes in 1962 is estimated at 224 million hundredweight compared with the very large 1961 crop of 241 million hundredweight. Production of late summer potatoes, at almost 33 million hundredweight, was 9 percent below last year. Output of the fall crop, at approximately 192 million hundredweight, is 6 percent smaller than in 1961. Decreases in production from last fall amounted to 8 percent in the 9 Central States, 10 percent in the 9 Western States, and only 1 percent in the 8 Eastern States. Production in Maine was up 4 percent, almost offsetting decreases in other Eastern States. In the Central Area, smaller output is indicated for all States except Indiana and North Dakota. Among the States in the Western Area, California, Nevada, and Washington reported larger crops--all others reported decreases, Idaho, the largest producer of fall potatoes, indicates a 14 percent decrease from last fall.

During the 1961-62 season the Department operated a program to assist growers in marketing the large crop of late summer and fall potatoes. Under the program, which operated from September 1961 through May 1962, about 29 million hundredweight of 1961 late crop potatoes were diverted to starch, flour, and livestock feed. Although the large diversions helped lighten the pressure on markets, prices into early spring of 1962 averaged materially below those of a year earlier. However, with smaller supplies available, prices to growers since midspring have averaged significantly above those of a year earlier.



Supplies of potatoes for fall and winter marketings again are large. But with smaller supplies available than a year earlier, prices to growers are expected to continue above those of last fall and winter.

Supplies of sweetpotatoes available during the 1962-63 marketing season are expected to be 9 percent larger than those of last season but 7 percent smaller than the 1951-60 average. Moderately more acreage and slightly higher yields resulted in a 1962 crop of 16.4 million hundredweight--compared with 15.1 million hundredweight last season. Combined production in New Jersey, Virginia, North Carolina, Louisiana, and Texas, which furnish the bulk of winter and spring supplies for the Eastern and Central markets, is up 16 percent over last season. Production in California, most of which is marketed in the West, is up a tenth from the small 1961 crop

During the early weeks of the season, prices to growers have averaged somewhat below those of a year earlier. Prices are expected to rise seasonally into spring. But with larger supplies available for market, prices to growers for the season are likely to average at least moderately below those of a year ago.

UNITED STATES DEPARTMENT OF AGRICULTURE  
Economic Research Service

OUTLOOK FOR WHEAT IN 1963

Talk by Robert E. Post  
Economic and Statistical Analysis Division  
at the 40th Annual Agricultural Outlook Conference  
Washington, D. C., 10:50 A. M., Friday, November 16, 1962

The wheat situation and outlook is highlighted by an expected reduction in carryover stocks on July 1, 1963, which would be the second consecutive reduction in the carryover, and by the likelihood that the new wheat legislation may keep the carryover July 1, 1964 from increasing. I will cover, among other items, the situation in the current year, the program and outlook for 1963 and the program for 1964 and subsequent years.

The Wheat Situation for 1962-63

The total wheat supply for the marketing year which began July 1, 1962 is about 10 percent below both the record supply in 1960-61 and the supply in 1961-62. The decrease is due to a reduction in both the carryover and production. The 1962 wheat crop is 11 percent below last year's crop but only 3 percent below average.

Even though the estimated 1962-63 supply is below last year's, it still represents two years' domestic use and exports. The table shows the items which make up the 1962-63 estimated supply compared with earlier years. Distribution items are also shown.

Domestic disappearance for 1962-63 is estimated at slightly over 600 million bushels, about the same as the average disappearance in 1957-61. Exports in 1962-63 are assumed at 600 million bushels. While very large, they are substantially below the levels of the 2 previous years because of the near-record world wheat crop in 1962. In 1960-61, exports totaled 662 million bushels and in 1961-62, 718 million. With a total supply of 2,405 million bushels, a carryover of about 1,200 million bushels would be left on July 1, 1963. A carryover of this size would be about 100 million bushels below that on July 1 this year and would be the second consecutive reduction. Stocks were reduced by about the same number of bushels during the past marketing year.

Acreage allotments and marketing quotas have been in effect for wheat each year since 1954. Since 1954, seeded acreage has held at about a 55-million-acre minimum allotment level, except in 1957 and in 1962. The Acreage Reserve of the Soil Bank Program reduced acreage to 49.8 million in 1957 and the Wheat Stabilization Program reduced acreage to 49.1 million acres in 1962.

Yields per acre rose beginning 1954, and sharply from 1956, reaching an all-time high in 1958. Yields have continued at high levels and resulted in large crops. Yield per seeded acre in 1962 for all wheat is the third largest of record, though 3.7 bushels below the record in 1958 and 2.4 bushels below the second largest of record in 1960.

# Analysis of the July 1, 1963 Carryover by Classes

Of the net reduction in the carryover of all wheat at the end of the 1962-63 marketing year, stocks of hard red winter wheat, which are in greatest surplus, may be down about 140 million bushels, while stocks of soft red winter may be down about 13 million. Little change may occur in the size of the carryover of white wheat. Hard red spring may be up slightly, but stocks of durum may be increased sharply, by possibly 37 million bushels. Production of durum in 1962 was increased greatly as a result of the special provisions of the program for 1962, which allowed increased acreage, and good growing conditions. The expected decline in hard red winter follows a decline a year earlier, the first since 1958. But, at 1,067 million bushels on July 1, 1962, they were still 75 percent above the 611 million on July 1, 1958.

The carryover stocks of the various classes on July 1, 1963 as a percentage of the 1957-61 average disappearance (domestic use and exports) are as follows: Hard red winter, 154 percent; durum, 145 percent; hard red spring, 108; white, 15 percent; and soft red winter, 6 percent.

## Wheat: Supply and distribution, United States, 1957-63

Item	Year beginning July						
	1957	1958	1959	1960	1961	1962	1963
	1/	2/	3/	4/	5/	6/	7/
	Mil.	Mil.	Mil.	Mil.	Mil.	Mil.	Mil.
	bu.	bu.	bu.	bu.	bu.	bu.	bu.
Supply							
Carryover on							
July 1	908.8	881.4	1,295.1	1,313.5	1,411.2	1,304	1,200
Production	955.7	1,457.4	1,121.1	1,357.3	1,234.7	1,095	1,225
Imports 3/	10.9	7.8	7.4	8.2	5.9	6	5
Total	1,875.4	2,346.6	2,423.6	2,679.0	2,651.8	2,405	2,430
Domestic disappearance							
Food 4/	485.9	496.8	496.2	496.0	499.6	502	500
Seed	63.0	64.3	62.9	64.0	56.6	63	50
Industry	.3	.1	.1	.1	---	---	---
Feed 5/	41.9	47.0	40.7	45.8	73.0	40	50
Total	591.1	608.2	599.9	605.9	629.2	605	600
Exports 6/	402.9	443.3	510.2	661.9	718.3	600	625
Total disappearance	994.0	1,051.5	1,110.1	1,267.8	1,347.5	1,205	1,225
Stocks on June 30	881.4	1,295.1	1,313.5	1,411.2	1,304.3	1,200	1,205

1/ Preliminary. Distribution items for 1962 are partly estimated. 2/ Projected. 3/ Imports include full-duty wheat, wheat imported for feed, and dutiable flour and other wheat products in terms of wheat. They exclude wheat imported for milling in bond and export as flour, also flour free for export. 4/ Includes shipments to United States Territories and wheat for military food use at home and abroad. 5/ This is the residual figure, after all other disappearance has been taken into account; feed for 1961 appears to be larger than it should be. 6/ Exports are of wheat, including flour wholly from U. S. wheat and other wheat products in terms of wheat. They include exports for relief or charity by individuals and private agencies. Shipments are included in domestic disappearance for food.



## The Wheat Program for the 1963 Crop

The seeding of winter wheat this fall was largely guided by the program on which farmers voted favorably last August. Since that time, the Agricultural Act of 1962 has become effective. This Act does not require farmers to change their plans and they continue to be eligible for price support at \$1.82 per bushel (minimum national average support), if they do not exceed their farm acreage allotment based upon the 55-million-acre allotment.

The Act does provide, however, a voluntary diversion program for the 1963 crop of wheat similar to the voluntary feature for the 1962 crop. To participate in this program, producers must divert to conservation use at least 20 percent of (1) their wheat acreage allotment or (2), in the case of small farms with allotments of less than 15 acres, their allotment or their average 1959, 1960 and 1961 seedings of wheat, whichever is larger. Producers who make the required diversion will be eligible for diversion payments equal to 50 percent of the value of normal production on the diverted acreage, based on the support rate, and for payment at a rate of 18 cents per bushel on the normal production of the acreage devoted to wheat. The 1959 and 1960 average yield is used in deriving normal production. The maximum acreage diversion on any farm would be either 50 percent of the allotment or, in the case of small farms, up to 10 acres.

Any grower who signs to divert acreage in 1963 must reduce his acreage by the amount of the signup or he will lose price support eligibility, as well as all payments under the voluntary portion of the program.

The price support payment of 18 cents per bushel will be made in payment-in-kind certificates and CCC will assist farmers in marketing the certificates. CCC will be permitted to sell wheat from its stocks at not less than the \$1.82-price-support level to cover the cost of those certificates that it redeems for farmers. The diversion payment may be made in either cash or certificates. This same provision was included in the 1962 Wheat Stabilization Program and all payments were made in cash.

The signup period for the special voluntary 1963 wheat program runs from October 15 to December 14 for winter wheat. The signup period for spring wheat will be after the first of the year.

## The Wheat Outlook for 1963-64

The 1963 diversion program differs from the voluntary diversion portion of the 1962 program in several ways. One of the most important differences is the provision requiring compliance with 1963 signup intentions as a condition of price support eligibility. In 1962, farmers were required to reduce their acreage allotment by 10 percent while as much as an additional 30 percent could be diverted on a voluntary basis and price support eligibility was not affected by a change in farmers' plans to divert acreage on the voluntary portion.

Because of the differences in the 1962 and 1963 diversion programs and the timing element (the 1963 diversion program came into effect after much of the winter wheat crop was seeded), it is difficult to draw a comparison

between the voluntary participation in the 1962 program and expected voluntary participation in the 1963 program. However, assuming that the voluntary diversion in 1963 is about 7 million acres, the harvested acreage might be about 47 million. This would be 3 million acres more than was harvested in 1962. With a continuation of the upward trend in yields, a yield of 26 bushels per harvested acre might be obtained. This would be slightly more than 1 bushel above that in 1962.

The resulting 1963 crop of 1,225 million bushels may be about equal to the expected domestic disappearance and exports. As a result, the carryover on July 1, 1964 might show little change from the 1,200 million bushels currently estimated for the end of 1962-63. Without the voluntary diversion program, stocks would increase.

#### The Wheat Program for 1964 and Subsequent Crops

There are two principal features in the permanent wheat provisions of the Food and Agricultural Act of 1962. The first eliminates the 55-million-acre minimum national allotment and authorizes the Secretary to estimate the total requirements for wheat in the coming year. He then announces a marketing quota and a commensurate acreage allotment large enough to meet those requirements after allowing for some reduction in stocks. However, the marketing quota cannot be less than 1 billion bushels. Diversion payments are authorized for 1964 and 1965 on an acreage equal to the difference between their new allotment under the Act and their allotment based on the 55-million-acre program. Producers can also voluntarily divert additional land.

The second principal feature of the new wheat program is a change in the price support system. A marketing certificate program is substituted for the present price support system. The certificates provide a means of distinguishing between wheat for food and some portion of exports to be supported at between 65 and 90 percent of parity and wheat for feed and seed which would be supported at a level consistent with the support level for feed grains and world wheat prices.

The marketing certificate program provides greater flexibility for farmers to produce wheat for feed, if they want to, providing that an acreage diversion program for feed grains is in effect. The certificate program also will enable the Government to reduce its stocks by reducing the allotment sufficiently to bring production below projected requirements. Farm income from wheat could be maintained with the certificate system even though production is reduced.

If more than one-third of the producers voting in the referendum reject the program, price support would be provided at 50 percent of parity to cooperators.

Another important provision in the permanent wheat program is that the exemption under which any farmer could grow 15 acres of wheat would be terminated permanently. These small producers could either come into the program or stay out, but they would have to meet certain requirements regardless of their choice.

The Act provides also that the Secretary may increase the allotment for any type of wheat which would otherwise be in short supply. This will make it possible to gear the supply of different kinds of wheat to the market demand